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इस भाग में भिन्न पृष्ठ संख्या दी जाती है जिससे कि यह अलग संकलन
के रूप में रखा जा सके।

Separate paging is given to this Part in order that it may be filed
as a separate compilation

JOINT COMMITTEE ON THE LIFE INSURANCE CORPORATIONS BILL, 1983

LOK SABHA

The following report of the Joint Committee on the Bill to provide, with a view to the more effective realisation of the objectives of nationalisation of Life Insurance business, for the dissolution of the Life Insurance Corporation of India and for the establishment of a number of corporations for the more efficient carrying on of the said business and for matters connected therewith or incidental thereto, was presented to Lok Sabha on 14 August, 1984:—

COMPOSITION OF THE COMMITTEE

Shri Mool Chand Daga—*Chairman*

MEMBERS

LOK SABHA

2. Shri Satish Agarwal
3. Shri M. Arunachalam
4. Shri Diléep Singh Bhuria
5. Shri Nurul Islam
6. Shri Bhiku Ram Jain
7. Shri Kamal Nath Jha
8. Shri Ghayoor Ali Khan
9. Shri Sunil Maitra
10. Shri K. Mallanna

- *11. Shrimati Kailash Pati
- 12. Shri Braja Mohan Mohanty
- 13. Shri Kusuma Krishna Murthy
- 14. Shri Ram Pyare Panika
- @15. Shri Bapusaheb Parulekar
- 16. Shri Janardhana Poojary
- 17. Shri Ram Lal Rahi
- 18. Shri K. A. Rajan
- 19. Shri M. S. K. Sathiyendran
- 20. Shri Natvarsinh Solanki

RAJYA SABHA

- 21. Shri Lal K. Advani
- 22. Shri Nand Kishore Bhatt
- 23. Shri Vithalrao Madhavrao Jadhav
- 24. Shri Akshay Panda
- 25. Shri Sudhakar Pandey
- %26. Dr. Shanti G. Patel
- 27. Shri R. Ramakrishnan
- 28. Shri Sukomal Sen
- £29. Shri Rameshwar Thakur
- 30. Shri Pranab Mukherjee

SECRETARIAT

- 1. Shri D. C. Pande—*Joint Secretary*
- 2. Shri N. N. Mehra—*Joint Secretary*
- 3. Shri S. P. Gupta—*Chief Personnel and Executive Officer*
- 4. Shri S. D. Kaura—*Chief Legislative Committee Officer.*
- 5. Shri R. S. Mani—*Senior Legislative Committee Officer*

LEGISLATIVE COUNSELS

- 1. Shri S. K. Maitra—*Consultant*
- 2. Shri Jagdishwar Narain—*Deputy Legislative Counsel*
- 3. Shri B. K. Sharma—*Joint Secretary and Legislative Counsel*
- 4. Shri Prakash Chandra—*Deputy Legislative Counsel*
- 5. Shri A. C. Mahapatra—*Attache from the Government of Orissa*
- 6. Shri K. N. Gopinathan Nair—*Attache from the Government of Kerala*

REPRESENTATIVES OF THE MINISTRY OF FINANCE (DEPARTMENT OF ECONOMIC AFFAIRS) INSURANCE DIVISION

- 1. Shri H. M. S. Bhatnagar—*Additional Secretary*
- 2. Shri A. S. Gupta—*Current-in-Charge and Managing Director*
- 3. Shri R. K. Mahajan—*Controller of Insurance*
- 4. Shri S. G. Subrahmanyam—*Managing Director*
- 5. Shri S. K. Purkayastha—*Director (Insurance)*
- 6. Shri S. D. Raheja—*Under Secretary*

*Appointed w.e.f. 6-3-84 vice Shrimati Sukhbans Kaur resigned.

@Appointed w.e.f. 27-4-84 vice Shri Ratansinh Rajda resigned.

%Appointed w.e.f. 2-5-84 vice Shri Era Sezhiyan resigned.

£Appointed w.e.f. 2-5-84 vice Shri B. Ibrahim retired.

REPORT OF THE JOINT COMMITTEE ON THE LIFE INSURANCE
CORPORATIONS BILL, 1983

1. the Chairman of the Joint Committee to which, the Bill* to provide, with a view to the more effective realisation of the objectives of nationalisation of Life Insurance business, for the dissolution of the Life Insurance Corporation of India and for the establishment of a number of corporations for more efficient carrying on of the said business and for matters connected therewith or incidental thereto, was referred, having been authorised to submit the Report on their behalf, present their Report with the Bill, as amended by the Committee, annexed thereto.

2. The Bill was introduced in the Lok Sabha on 19 December, 1983. The motion for reference of the Bill to a Joint Committee of the Houses was moved in Lok Sabha by Shri Janardhana Poojary, Deputy Minister in the Ministry of Finance on 21 December, 1983 and was adopted.

3. The Rajya Sabha concurred in the said motion on 22 December, 1983.

4. The message from Rajya Sabha was published in Lok Sabha Bulletin—Part II on 26 December, 1983.

5. The Committee held 27 sittings in all.

6. The first sitting of the Committee was held on 24 January, 1984. The Committee considered their future programme of work and decided to issue a Press Communique inviting memoranda containing comments/suggestions on the provisions of the Bill by 14 February, 1984 from the State Governments, Union Territory Administrations, Bar Councils, Bar Associations, other Organisations, individuals, etc. interested in the subject matter of the Bill for their consideration.

The Committee further decided to hear oral evidence on the provisions of the Bill from the interested parties.

Accordingly, a Press Communique inviting memoranda and requests for oral evidence was issued on 24 January, 1984. The Director General, All India Radio and the Director General, *Doordarshan*, New Delhi were also requested to broadcast the contents of the Press Communique from all Stations of All India Radio and telecast it from all *Doordarshan Kendras* on three successive days in English, Hindi and regional languages.

As per decision taken by the Committee, a circular letter inviting memoranda containing comments/suggestions on the provisions of the Bill and requests for oral evidence was also addressed to the Chief Secretaries and Secretaries (Finance) of all State Government/Union Territory Administrations, Bar Councils, Bar Associations, Trade Unions, other Associations/Organisations and individuals, etc.

*Published in the Gazette of India, Extraordinary, Part II, Section 2, dated 19 December, 1983.

Simultaneously, as decided by the Committee, an advertisement incorporating the contents of the Press Communique, in brief, was also issued on 25 January, 1984 for publication in English Newspapers having largest circulation (one each from Delhi, Calcutta, Bombay and Madras) and also in regional languages having largest circulation (one each from each State).

7. At the sitting held on 8 February, 1984, the Committee felt that since they had yet to receive the memoranda on the Bill, hear oral evidence on the provisions of the Bill and had to complete other stages of the Bill, it would not be possible for them to present their report by the stipulated date, i.e. last day of the first week of the Budget Session, 1984, i.e. 24 February, 1984. The Committee, therefore, decided to seek an extension of time for presentation of the Report upto the last day of the first week of the Monsoon Session, 1984.

At this sitting, the Committee also considered several requests received from various parts of the country for extension of time for submission of memoranda containing comments/suggestions on the provisions of the Bill. The Committee felt that keeping in view the importance of the proposed legislative measure and the fact that there was practically no response from the public in general, it was necessary to extend the time-limit for submission of memoranda on the Bill by the interested parties. Accordingly, the Committee decided to extend the time, subject to extension being granted by the House, for receipt of memoranda upto 15 March, 1984.

8. On 24 February, 1984, after the House had granted an extension of time for presentation of the Report, the extension of time-limit for submission of memoranda upto 15 March, 1984 was notified through a Press Release. The contents of the Press Release were also given wide publicity through All India Radio and the *Doordarshan Kendras*.

9. 732 memoranda containing comments/suggestions on the provisions of the Bill were received by the Committee from various State Governments, Trade Unions, Public Bodies, other Associations/Organisations, individuals, etc.

10. At their sittings held on 21 and 22 March, 1984 and on 10 and 11 April, 1984 at New Delhi, the Committee heard the evidence of the representatives of various Associations/Organisations, individuals, etc.

At one of these sittings, the Committee, while considering their future programme of work and the requests for evidence received from various Associations/Organisations, individuals, etc. from different parts of the country and particularly from those who were not in a position to come to Delhi, decided to hold their formal sittings at some selected places outside Delhi, in two rounds for taking evidence.

Accordingly, the Committee held their formal sittings at Gandhinagar, Bombay, Trivandrum and Madras (from 16 to 25 May, 1984) and at Hyderabad and Calcutta (from 12 to 16 June, 1984) and heard evidence of the representatives of various State Governments, Associations/Organisations, individuals, etc.

11. At their sitting held at Calcutta on 16 June, 1984, the Committee decided that the witnesses invited at Kanpur and Shillong, the places

which they could not visit, should be invited at New Delhi for tendering evidence.

Accordingly, the Committee held their sittings on 6 and 7 July, 1984 at New Delhi and heard the evidence of the representatives of various Associations|Organisations and a Member of Parliament.

12. The Committee, on conclusion of the evidence of the non-official witnesses, also heard the evidence of the representatives of the Life Insurance Corporation of India at their sitting held on 16 July, 1984.

13. 59 witnesses representing both officials and non-official viz, State Governments, Life Insurance Corporation of India, Associations|Organisations, Trade Unions, Chambers of Commerce and Industry, Educational Institutions and Research Centre, experts, viz. Ex-Chairmen of Life Insurance Corporation of India, Direct Agents of LIC and individuals, etc. from various parts of the country appeared before the Committee for expressing their views on the provisions on the Bill.

14. The Report of the Committee was to be presented to the House by the last day of the first week of the Budget Session, 1984, i.e. 24 February, 1984. The Committee were granted two extensions for presentation of the Report—first on 24 February, 1984 upto the last day of the first week of the Monsoon Session, 1984, i.e. 27 July, 1984 and second on 25 July, 1984 upto 14 August, 1984 of the Monsoon Session, 1984.

15. At their sitting held on 18 July, 1984, the Committee decided that the record of evidence tendered before them might be printed and laid on the Tables of both Houses of Parliament.

The Committee also decided that two sets of memoranda containing comments/suggestions on the provisions of the Bill, received by the Committee, might be placed in the Parliament Library, after the Report had been presented, for reference by the Members of Parliament.

16. The Committee considered the Bill clause-by clause at their sitting held on 19 July, 1984.

17. The Committee considered and adopted the Report at their sitting held on 2 August, 1984.

18. Before making their recommendations on the amendments to various clauses of the Bill, the Committee would like to highlight a few salient features which have emerged arising out of the views expressed before it both in written memoranda and oral evidence.

19. The Committee have found that the views expressed in the memoranda as well as the oral evidence tendered before it have unequivocally supported the objectives of the Bill as embodied in the STATEMENT OF OBJECTS AND REASONS which are to ensure more effective spread of insurance, particularly in rural areas, to impart greater degree of dynamism into the working of the industry, to improve the quality of service rendered to the policy holders and to achieve better operational efficiency in the working of the industry so that it is able to meet the challenges of the future.

20. By and large, after giving support to the objectives of the Bill, the written memoranda and oral evidence have been generally either

in favour of the Bill or totally opposed all the clauses of the Bill. Few suggestions have been received proposing amendment to various clauses of the Bill and there was adequate discussion on them during the course of oral evidence taken by the Committee.

21. The Bill mainly seeks a reorganisation of the Life Insurance Industry. This is intended to be achieved by a change in the work culture and due emphasis on the primary responsibility of each of the five proposed Corporations for intensive development of the life insurance business in the assigned Zone. The concept of re-organisation, however, appears to have been mis-construed as more decentralisation of functions which, though laudable and already in the process of implementation, is not the only objective of the Bill.

22. The Life Insurance industry is essentially a service organisation and satisfactory service to the policyholders during the entire period of the policy contract is, therefore, essential for building up the confidence of the community in the industry. However, the Committee noted during the oral evidence which was tendered by various witnesses before it that the present Corporation has not been able to achieve this goal and its actual performance in this regard has not been up to the expectation. The Committee, therefore, feel that when the five Corporations as proposed in the Bill are set up, one of their primary concerns should be to look after the interests of existing and potential policy-holders and rendering satisfactory service to them.

23. In any organisation, efficiency of operations and successful functioning largely depend on the arrangement that is made for effective and quick decision making, supervision of the working of the lower formations and the lines of communication. At the same time there should be a mechanism for co-ordination in policy matters. The Committee feel that the Bill makes a very harmonious compromise between the implementation of the life insurance programmes through the proposed five Corporations and the coordination required in specified matters for which the Life Insurance Board is envisaged. Restructuring of Life Insurance Corporation of India into more manageable units will thus strengthen the industry's ability to meet the future challenges and also provide the thrust required for spreading the message of insurance into the rural and backward areas and to less privileged sections of the community.

24. The main objective of the life insurance industry, i.e. to spread life insurance much more widely and particularly in the rural area and to the socially and economically backward masses, has not been adequately achieved so far, as would be evident from the following extracts from the study conducted by the national Council of Applied Economic Research in December, 1979 in their Report entitled "Attitudes Towards Life Insurance Cover":—

"Over 75 per cent of the earners were not aware of the Life insurance cover. The ignorance was relatively less in urban areas, with over 50 per cent having knowledge of it.

Awareness of insurance varied with the income level of the households. At the lowest level only 8.3 per cent of the earners had

knowledge while over 80 per cent in households with income over Rs. 30,000 were aware of it.

Only 6.2 per cent of the earners were contacted during the last two years by LIC agents. Here again variations did exist with the agents concentrating more on the affluent where every third earner was contacted. On the other hand, hardly 1 per cent of the earners among the poor were contacted."

It is evident from above that there has been no serious awareness in the Corporation of its social responsibilities to the rural and under-developed areas and adequate efforts have not been made to survey the market strategy and schemes needed to provide insurance protection to the millions of small farmers, agricultural labour, artisans etc. who need insurance more. The Committee feel that in a democratic set-up, the Life Insurance Corporation of India which has the monopoly in the field should be able to give insurance cover to a far larger number of households. Insurance cover is not only meant for the affluent class but also the poorer section of the community.

25 The Committee have carefully examined the implications of the main objectives of the Bill, namely, splitting the Life Insurance Corporation into five independent Corporations with reference to the views expressed by members and opinions received from the public general and have had considerable deliberations on all aspects of the subject. The Committee note that the idea of spreading insurance to the rural masses and restructuring of the Corporation, as envisaged in the present Bill, is not a new one but has a historical background. There has been a consistent thinking in this direction right from 1956 when the insurance industry was nationalised, as would be evident from the observations/recommendations made by various authorities, eminent persons, Committee, etc. mentioned hereunder:—

On 19 March, 1956, while initiating the motion for reference of the LIC Bill to a Select Committee, the then Finance Minister had *inter alia* stated "So far as day to day business is concerned, it is our intention.....that insurance becomes more widely known, more popular and thereby to mobilise even larger volumes of savings from all sections of the people in order to attain the principal objective of the measure of nationalisation."

While speaking on the floor of the House on the LIC Bill, 1956, the then Finance Minister (Shri C. D. Deshmukh) had, *inter alia*, observed "...In any case, we feel that to start with we should have only one autonomous Corporation with Zonal organisations and if we find that it does not work satisfactorily, then it would be open to us to change over from it to a number of autonomous Corporations. This process would be easier than the reverse process, that is to say, to proceed from several autonomous Corporations to one monopoly corporation."

On 20 February, 1958, the then Prime Minister (late Pandit Jawahar Lal Nehru), while speaking on the Chagla Commission Report, had put it more categorically and stated "Some Members have suggested that it might have been desirable or it might be

desirable in the future for this huge organisation to be split up into three or four. It is a matter which may be considered. If that is more advantageous, it should be done. We should not hesitate to do it."

The Chairman of the Life Insurance Corporation of India stated before the Estimates Committee (Second Lok Sabha) (1960-61) which had examined the LIC during that year, that if the new business of the Corporation in a year exceeded Rs. 1,000 crores, it might become necessary to split it up into one or more separate bodies."

The Committee on Public Undertakings (Third Lok Sabha) (1965), in their Fourth Report, on the LIC, had specifically recommended in very clear terms to the effect that "if the standard of efficiency in the Corporation is to be improved, with better service to policyholders and the corporation is to expand its business in a massive scale, its present Zones must be constituted into completely independent corporations."

During the course of evidence before the above Committee, the representative of the Ministry of Finance stated before the Committee that he was inclined to agree with the former Chairman of the Corporation that after the Corporation had written business upto a certain limit, it would be advantageous to split up the Corporation.

The Krishna Menon Committee of the Congress Party in Parliament recommended the splitting up of the corporation and said "The LIC would in our view function more gainfully and efficiently if it were not all one unit but consisted of several which would develop their own character, create healthy competition in performance and results."

The Era Sezhiyan Committee (1980), in their Report, observed/recommended that—"....inspite of much growth in its business, the LIC has not been able to fulfil some of its primary objectives satisfactorily. It seems that this is at least partly due to its present organisational structure."

"The Committee recommends that the existing Zonal Offices should be set up as independent, non-competing corporations with their jurisdiction restricted to their present area."

26. The Committee, therefore, feel that in the light of the historical background, the stage has come when this idea of setting up manageable units has to be implemented and given practical shape. Decision to restructure the Life Insurance Corporation into five independent units with a co-ordinating body to provide supervision and guidance is a step in the right direction and timely. The Committee are of the view that the national issues, particularly the developmental issues like the one under their consideration, must be viewed and considered without any bias. The Committee feel very strongly that in a democratic set up the insurance cover of all the people, particularly for those who are less fortunate and have insufficient means to fall back, whenever the necessity arises, is necessary as a measure of social security.

27. The observations of the Committee with regard to the principal changes proposed in the Bill are detailed in the succeeding paragraphs.

28. *Clause 6.*—The Committee note that under the provisions of this clause, only certain conditions have been laid down for appointment of the members of the Corporation and no qualifications have been specified. The Committee feel that in order to ensure that members are appointed from proper categories of persons, it is desirable to prescribe the qualifications which persons should possess in order to be eligible for appointment as members.

Sub-clause (1) of this clause has been amended accordingly.

29. *Clause 7.*—The Committee note that according to the provisions of this clause, the term of office of the members and the Chairman of the proposed corporations is not to be less than three years. The Committee were informed that a statutory minimum term of service may sometimes create practical difficulties. In the circumstances, the Committee feel that the term of office of the Chairman of a corporation and members thereof and the terms and conditions of their service should be regulated by rules to be made under the proposed legislation. Since the rules so made would be required to be laid before both Houses of Parliament, the Committee feel that the Parliament would have adequate opportunities to exercise their regulatory control with regard to the matter.

It was also brought to the notice of the Committee that the Committee on Public Undertakings had observed that one of the deficiencies in the system of the public undertakings was to have a Chief Executive on a much shorter term and the Conference of Public Sector Enterprises had recommended that the term of appointment of such persons should be between four to five years. This concept, the Committee were further informed, has been introduced in the entire banking industry. The Committee are of the view that under the circumstances, the term of office for appointment of a member or the Chairman of a corporation need not be specified in the Act and the matter may be regulated by the rules to be made thereunder.

Sub-clause (1) of this clause has been amended accordingly.

30. *Clause 8.*—The Committee note that under the provisions contained in sub-clause (3) (a) of this clause there is a provision for termination of the appointment of the Chairman after giving him three months' notice in writing but there is no such provision for the termination of the services of members appointed by the Central Government. The Committee are of the opinion that the Central Government should have the same powers to terminate the services of members appointed by them as they have, under the Bill, in relation to the termination of the services of the Chairman of a Corporation.

Sub-clause (3) (a) of this clause has been amended accordingly.

31. *Clause 13.*—During the course of their deliberations, the Committee were informed that the policy-holders, who are the main beneficiaries of the corporation, feel completely neglected. Once a policy is taken, the policy-holders do not get satisfactory service from the corporation and practically no service from its agents. The Committee feel

that since the policy-holders are the persons for whose benefit the corporation has been constituted, and since one of the objectives of the proposed Bill is to 'improve the quality of service to the policy-holders', the policy-holders should have some organisation through which their grievances and suggestions may be brought to the notice of the corporation. The Committee are, therefore, of the opinion that it should be made obligatory on the part of each Corporation to constitute in its jurisdiction such number of Policy-holders Advisory Committees as it might consider necessary.

Accordingly, a new sub-clause, namely, sub-clause (4), has been added to this clause.

32. *Clause 16.*—The amendment made in sub-clause (1) of this clause relating to the terms and conditions of service of members of the Board is similar to the amendment made in sub-clause (1) of clause 7.

33. *Clause 61.*—Sub-clause (2) of clause 10 empowers a Corporation to appoint, in pursuance of an arrangement entered into by it with any concern, directors of that concern, and provides for the validity of such appointment.

The Committee were informed that directors of concerns, nominated by public sector undertakings in pursuance of similar arrangements, have often been harassed by prosecutions etc. by reason of the non-observance, by such concerns, of their statutory obligations, such as, payment of provident fund dues and contributions required to be made under the Employees' State Insurance Act, 1948, etc.

The Committee feel that since the nominee directors of any concern are not responsible for the day to day administration of such concerns, they should not be held responsible for the non-observance by such concerns of their statutory obligations. Accordingly, such nominee directors should be granted protection from harassment. The Committee note that provisions granting protection to nominee directors exist in section 38A of the Industrial Finance Corporation Act, 1948. Accordingly, the Committee feel that similar provisions may also be incorporated in the Bill.

Accordingly, a new sub-clause, namely, sub-clause (2), has been added to this clause.

34. *Clause 1.*—The amendment made in this clause is of a formal nature.

35. *Enacting Formula.*—The amendment made in the Enacting Formula is of a formal nature.

36. The Joint Committee recommend that the Bill, as amended, be passed

MOOL CHAND DAGA,
Chairman.
Joint Committee.

NEW DELHI;

July 13, 1984.

Sravana 22, 1906 (S).

MINUTES OF DISSENT

I

I regret to state that I am wholly in disagreement with the majority recommendations of the Joint Committee. Before stating the exact grounds on which I am opposing the Bill, I wish to make some preliminary observations. Thus in my firm opinion the whole Joint Committee is obliged to answer the foremost question as to why the objectives of the Bill cannot be achieved without splitting the Corporation. After-all, what is contemplated is not merely a change in the administrative set up of the Corporation. It is not as if the Bill is in the form of an amendment of Life Insurance Corporation of India Act, 1956, considered necessary for achieving the specified objectives. It brings about wholesale replacement of the existing Act with an altogether new Act for complete dissolution of the LIC of India and creating in its place five independent corporations, each corporation competing with the other corporations with its own life fund, its own investment priorities (subject to the broad guidelines which the Government may issue from time to time) and its own actuarial evaluation. The Government has not placed before the Committee any evidence to show what steps, including administrative measures or legislative modifications of the existing Act, it has taken so far to achieve the objectives of the nationalisation of Life Insurance in a better way and how such steps have been proved to be thoroughly inadequate leaving the Government no other option than taking such an extra-ordinary step. The onus of proving that the LIC's split up into five region-based independent competing corporations is the only unavoidable step for achieving the desired objectives is on those who are piloting the Bill. It is entirely wrong to put the onus on the people to show as to why the split is not beneficial since the case has been built for the unitary structure and this case has been established for over 28 years. It is nobody's contention that LIC is incurring heavy losses or that the policy holders' interests are in serious jeopardy or that some unexpected crisis has developed. The statement of Objects and Reasons of the Bill, in fact, speaks of the LIC's 'impressive record of extending insurance services to the community. In view of this reality, I repeat that the onus of proving the unavoidableness of the LIC's split-up lies on those who have brought forward this Bill.

Let me refer in this connection to the provisions of the LIC Act. Section 21 of the LIC Act states "in the discharge of its functions under this Act, the Corporation shall be guided by such directions in the matter of policy involving public interest as the Central Government may give to it in writing—and if any question arises whether a direction relates to matter of policy involving public interest, the decision of the Central Government thereon shall be final."

The statement of Objects and Reasons of the present Bill conveys "the Corporation over the years has grown considerably in size and it has, therefore, been decided in the interest of operational efficiency and in order to strengthen the industry's ability to meet the challenges of the future, to restructure the LIC into more manageable units. It is expected that this will result in more effective spread of insurance into the rural areas where only limited headway has been made so far. The

Bill provides for the restructuring of the corporation into five independent units with a co-ordinating body to provide supervision and guidance on matters of common interest. This reorganisation is also expected to impart a greater degree of dynamism into the working of the industry and improve the quality of service to the policy-holders."

There is no evidence to show that the Government had issued directions to the corporation in writing in any of these matters. It was open to the Government to take such steps as suitably changing the LIC's investment pattern for better yield on investments and higher bonus to the policy holders in consequence or giving back to the LIC the huge amounts it collected by way of its share in valuation surplus specifically for subsidising the rural business. Nothing, however, has been done in this direction.

Section 29 of the LIC Act, 1956 states "the Central Government shall cause the report of the auditors under Section 25, the report of the actuaries under Section 26 and the report giving an account of the activities of the corporation under section 27 to be laid before both Houses of Parliament as soon as may be possible after each such report is received by the Central Government." Section 48(I) and 48(II) (i) of the same Act give powers to the Central Government to make rules regarding the form in which the report giving the account of the activities of the corporation shall be prepared. It was open to the Government to change the form of the report of the activities of the Corporation so that its performance could have been reviewed by the Parliament, not in terms of total sum assured every year, but by applying new standards such as growth in rural business, cover provided to economically backward sections through subsidised schemes or opening branches in backward districts. The truth of the matter is that the Government prevented the Parliament from reviewing the LIC's performance on such basis.

Section 18(iv) of the Act under reference conveys that the Zonal Manager can establish as many Divisional Offices and Branch Offices in his zone as he thinks fit. Section 22(i) of the Act further suggests that a zonal manager shall perform all such functions of the corporation as may be delegated to him with respect to the area within the jurisdiction of the zonal office.

In practice, however, the zonal managers and for that purpose even the corporation were never allowed to exercise the powers conferred upon them under the Act. Although LIC has been described as an "autonomous" body, expected to run on business principles, keeping in view at the same time its social objectives, it has always been directly under the control of the Finance Ministry. It is an indelible fact that the Finance Ministry never allowed the corporation to expand the branches more rapidly because they brought in the cost aspect. They wanted the branches to function on cost basis, i.e., revenue-expenditure ratio, not going beyond specified proportion. On the contrary in Banks they did not bother about the cost in the initial three years. The Zonal Offices were to function as "executive arms" of the corporation. That was the emphatic policy statement of the late Mr. C. D. Deshmukh, who as Finance Minister moved the Bill for the nationalisation of the LIC business in 1956. How tragic it is that these executive arms of the Corporation were amputated by the Government and particularly its Finance Ministry that always wanted to centralise all powers in its hands.

It is the Government's contention that it has brought forward this Bill on the basis of the recommendations of the Era Sezhiyan Committee. In the first instance, the Era Sezhiyan Committee's report is not a gospel truth and the weighty submissions made by the various committees appointed earlier have also to be weighed simultaneously. The specific warnings against the disastrous consequences of the LIC's split up given by these committees cannot be ignored.

However, since the Government has adopted the Era Sezhiyan Committee report as the basis for this Bill, I must point out that what the Era Sezhiyan Committee suggested was the establishment of *non-competing corporations* with their jurisdiction restricted to the present zones working on the basis of *common premium rates, common policy conditions, common actuarial valuations, uniform bonus rates and uniform salary scales and, service conditions applicable to staff*. The Committee very specifically opposed the concept of competition, explaining how the competing corporations setting up offices throughout the country might add to the cost. It explained how different zonal corporations would start with inherent disparities, and how for improving premium rates and bonus, the competing corporations would neglect extension of business to the rural areas and to the weaker sections of the community. The committee also emphasised that the competition by itself does not help improving performance of customer services. The Bill is gross distortion of the Era Sezhiyan Committee's recommendations. Nay: it completely destroys its entire edifice.

The Era Sezhiyan Committee was appointed, not exclusively for considering the organisational structures of the corporation. There were various other aspects of the LIC's working which it was expected to examine, so that the LIC's working could be geared to meet the changing requirements of the insuring public and the national economy. The committee has made its recommendations in all such connected matters, one of which relates to LIC's investment policy. The essence of these recommendations of the Committee is the need for improvements in the returns on the LIC's investments and one of the measures suggested is that it should not be required to invest more than 40 per cent of its investible funds in Government and Government approved securities which yield very low returns and materially affect the overall yield on investments.

The committee has also made various suggestions for the growth of rural business and group insurance schemes for the economically weaker sections of the society which do not warrant any changes in the organisational structure of the corporation. The Committee has further suggested a new life insurance policy for lower income groups which will have substantially reduced premium rates but will not offer income-tax relief. It seems that the Government is wholly unconcerned about providing higher bonus to the policy-holders for which the overall yield on the LIC's investments must go up or evolving plans for the economically weaker sections of the society through separate arrangements and subsidies from Central fund. While a parrot like statement is being repeated that LIC must reach all economically weaker sections of the society

the crucial question for providing subsidies in order to bring down the premium rates under specially drawn schemes for them is being carefully avoided.

On the important question of Industrial Relations, the Committee has expressed the view that the present system under which responsibility for negotiations with its staff unions is vested in the LIC while all decisions making authority involving even minor changes in any of the terms and conditions of service is vested in the Government is inherently unsound. The Committee has suggested that the Government should formulate some broad guidelines for wage negotiations and the management of the institution should be left free to evolve their own personnel policies and also to conduct negotiations with their staff unions and arrive at specific decisions within the confines of the guidelines. The committee has thus sought to suggest in its own way something for strengthening the process of negotiations between the management and the employees' unions on all matters. The Bill seeks to destroy the whole process.

The Era Sezhiyan Committee had also recommended some intermediate steps such as decentralisation of Internal Audit and Inspection Department, Building Department, Mortgage Department and Policyholder Services Department at the central office to the Zonal Offices. Alongwith it, it suggested that the functions of the Development and Accounts Department at the central office should be reduced by transferring supervisory and control functions of these departments to the Zonal Offices. The committee is not informed whether these interim steps were taken and in any case it has not been provided with the working results of such an arrangement.

With these preliminary observations, I now proceed to deal with various specific objectives of the Bill which in my opinion can be achieved without splitting the corporation and I have to state further that the split up will be counter productive to all these laudable objectives. As about the LIC's overall performance we must acknowledge that the LIC has firmly settled on the path of continuous progress in all spheres of its activities, falsifying the predictions which the monopoly press made in 1956 that the nationalisation of life insurance would involve huge losses. The LIC's progress measured in terms of spread of life insurance business, assistance to socially purposive projects, bonus to policy-holders, renewal expense ratio and settlement of claims has been very encouraging, more so during the last three years. Much is sought to be made out of the fact that the LIC has not been able to open its branches in 47 districts so far. As per the information supplied by the Finance Ministry, the LIC has branches in 373 out of 420 districts covering in all population of 67.99 crores out of the total population of 68.52 crores. This means that the LIC has covered districts which together have population which is 99 per cent of the total population. The thirty-seven districts where the LIC has no branch but has development organisation are situated in Manipur, Meghalaya, Nagaland, Arunachal Pradesh, Mizoram, Lakshadweep and a few thinly populated backward districts in Himachal Pradesh, Jammu & Kashmir, Assam and some Union Territories. The ten districts where the LIC has no organisation are

Lahul & Spiti (Himachal Pradesh), Kargil (J & K), Mon, Wokha (Nagaland), Sikkim South Sikkim West (Sikkim) Nicobar (Andaman and Nicobar) and West Kameng, East Kameng, East Siang (Arunachal Pradesh). Most of these are in very remote areas occupied by the Army or the Border Security Force and the local tribes. There is no district in Punjab, Haryana, U.P., M.P., Bihar, West Bengal, Orissa, Maharashtra, Gujarat, Karnataka, Andhra Pradesh, Tamilnadu, Kerala and Rajasthan where LIC has no branch. The economically backward districts of all these States have also been covered. This very positive achievement of the corporation is sought to be eclipsed by presentation of distorted facts.

As about LIC's operational efficiency, it may be stated that it does not depend upon the size of the Corporation. This is because the entire work relating to procurement of new business acceptance of proposals, issuance of policy, servicing of policy, payment of commission bills and settlement of claims is done with complete independence at the level of Divisional Office.

Most of these functions have already been transferred to the Branch Offices and in most cases the policy-holders' needs are fully met at the Branch Office. Thus, the policy-holder about whom so much is being said is in no way concerned with the size of the corporation and for him what matter is the service at the Branch office which is satisfactory and can be made still more satisfactory through various administrative measures. The talk that, showing improvement means 'close monitoring' and 'making surprise visits' and that the Minister cannot go to all offices throughout the country and therefore there should be smaller corporations is so irresponsible that it must be ignored with contempt.

The argument about the size of the Corporation is not a new one. It has been put forward on several occasions when the corporation was much smaller in size and even when the life insurance business was nationalised, the time when the entire LIC of India coming into existence was much smaller as compared to the size which each of the five independent corporations sought to be established would have hereafter. The various Committees including the Administrative Reforms Commission and the Committee of Enquiry into the expenses of Life Insurance Corporation has squarely dealt with such an argument. The Banking Commission in its report submitted in 1971 has also exposed the fallacy of the argument that the small sized Banks would be able to give better personalised service to the small borrowers as compared to the large sized banks.

Really speaking, there is nothing in the Bill to demonstrate about the decentralisation which means decentralisation of executive powers to the lower officers and encouragement to local initiatives. What is sought to be done is the establishment of five zonal Corporations which means that instead of one central office (body), each of the five corporations would have its own life fund, its own investment policy and its own managerial prerogatives. There is no question of policy-holder coming into closer contact with the corporation. The poor policy-holder's contact will be limited to the agent who secures business from him and the Branch Office which issues to him a new policy and does all servicing

work upto the settlement of claims. The stark fact is that it is the powerful lobbies in different States which will come in closer contact with the top echelons of the smaller corporations building their influence in the matter of investments and promotions, appointments, etc. As I have already pointed out, the existing LIC Act provides enough scope to the Government for improving the LIC's operational efficiency and achieving the other objectives shown in the Bill and therefore fragmentation of the corporation is unwarranted. However, if the existing provisions of the LIC Act are found to be insufficient for achieving the desired objectives, the same Act can be amended to make statutory provisions for the establishment of five Zonal Offices with more clearly defined powers and functions as it has been done in the State Bank of India (Amendment) Act, 1973.

A great emphasis has been laid by everybody on what is termed as LIC's failure to reach the rural areas and it may appear as if this impression has taken the shape of this particular Bill proposed by the Government to split the LIC in order to effectively realise the objectives of nationalisation by reaching into rural areas though, truly speaking, the more over-riding considerations that have weighed those who have piloted the Bill are different as I am going to explain in the subsequent paragraphs. Now, if so much emphasis was to be placed on rural business such an emphasis could have been laid some years ago and the LIC's overall performance could have been weighed with distinct importance given to the rural business so that we would have been in a better position to understand whether the LIC's size or lack of competition is coming in the way of growth in rural business. In any case, the LIC's 26th Report and accounts for the year ended 31st March, 1983 shows that the new business written during the year in rural areas was under 7.33 lakh policies as against total number of 22.31 lakh policies secured during the year. This comes to 32.85 per cent of the total business. It has to be noted in this connection that 374 million out of about 510 million people in the rural areas are absolutely poor with extremely insufficient land or no land at all, their monthly income being less than Rs. 70 and have consequently no capacity whatsoever to save for future. This at once restricts the scope of extending life insurance business to less than 20 per cent of the rural population. A survey by the National Council of Applied Economic Research (1979) has pointed out that 87.5 per cent of the non-insureds in the rural areas could not afford to pay life insurance premium. If this arithmetics is taken into consideration, it will be observed that the rural business is not less as it appears. Since wrong impressions have been carried about the scope of growth in rural business, I wish to point out the observations made in a survey of rural banking in India in 1979. It conveyed "considering the figures of large number of commercial bank branches opened in rural areas and because of the fact that these are public banks not opened with the consideration of running their business for maximising profits, one is likely to get the impression that these rural commercial bank offices must be meeting to an increasing extent the credit needs of the weaker sections of the rural community. A closer examination, however, reveals their class character. It is observed that their clientele yet consists largely of big businessman, wholesale traders, bullion merchants, sugar barons

and oil kings in rural areas (Source: Rural Banking in India—S. S. M. Desai, June, 1979).

The affluent sections of the society do not find it necessary in the present capitalist system to buy life insurance policies to cover the death risks or to save for old age or for their children in view of the continuity of the ownership of their huge assets. The urban rich buy life insurance policies for tax rebates and this cannot be an incentive for the rural rich whose income from agriculture including cash crop,葡萄yards, poultries, live stocks and agricultural properties is not taxed. The rural rich who are showing increasing parasitic tendencies in snatching credits and subsidies from increasing number of Government agencies have a clear preference to use their surpluses for conspicuous consumption, increasing physical assets and making investments in sugar factories, transport companies, flour mills, oil mills, brick kilns and wherever they can make fast buck. If they sometimes place some part of their surpluses in Bank deposits it is on account of two reasons. First, the agricultural credits given by the Banks create a kind of relationship between the Banks and agriculturists. Second, the bank deposits are not locked up for life time. They can be withdrawn at will. The fixed deposits are also for a period not exceeding five years and even during this short period the depositor can borrow loans to the extent of 90 per cent of the amount held in deposit. In the case of LIC, the policy-holders' money is locked up for 25 to 30 years and if he wants to withdraw his savings earlier, he stands to lose heavily since large portion thereof is forfeited. Thus it will be seen that the potential for Life Insurance business in the rural areas is severely restricted and the real question is about creating a new potential by attracting the surpluses of rural rich through new taxation schemes combined with plans which may suit their needs and above all, improving the lot of 80 per cent population living below the poverty line so that they may be able to make a small saving for the future. The formation of the smaller corporations is no solution at all to such a complex problem. Rather it will be counter productive since smaller corporations would find it more difficult to bear the burden of rural business which involves higher costs both in procurement and in servicing and therefore they would inevitably prefer concentrating on big cities and towns where the business is available with comparatively lesser efforts and lower costs. This difficulty will be more particularly felt by Eastern Zone and Central Zone corporations who would have within their jurisdiction very large backward areas and comparatively less urban population from where they can get life insurance business with lesser efforts and lower costs.

This again takes us to the question of a serious handicap which the five region-based corporations will be facing as soon as they start their operation. The LIC's operational costs greatly vary in the five different zones and also in different Divisions within the same zones. Thus it is observed that the expense ratio of the Western Zonal Office of the LIC was 8.25 in 1981-82 whereas it was 13.86 for the Eastern Zonal Office. If we look into the figures of expense ratio for different divisions during the same year, we find that it was 5.67 for Bombay as against 26.59 in Muzaffarpur. These operational costs do not depend exclusively on the efficient working of the Corporation in any one particular region.

There are two important factors which influence the operational costs. First is the average size of the policy which determines the premium income in relation to the cost per policy and this average size of the policy depends upon the income level in the region. The second factor is about the cost of procurement of new business which is more in the less developed regions and particularly in rural areas. As a consequence of the LIC split up, the profits of the five independent competing corporations would greatly differ and the result would be that the policy-holders from the Central and Eastern Zones comprising of UP, MP, Bihar, Bengal, Orissa, Assam and Eastern States would get lesser bonus. This would be a new cause of economic discontent in these regions in the already deteriorating economic situation in our country. Once five independent corporations with their separate life funds and separate actuarial valuation come into existence in place of one single LIC of India, the uniform bonus rates cannot be maintained. It has been suggested that this difficulty can be obviated by allowing all the five corporations to compete in all major cities in the country. It is not appreciated in this connection that if such a competition is allowed to take place and corporation which is strong and is able to declare a higher bonus is allowed to operate in the areas of the weaker corporations, particularly in metropolitan cities, the result will be that the cream of business will be taken away by the stronger corporation. The experts in the field of life insurance have also informed us that the growth in business does not necessarily lead to lower operational costs.

Now, let me proceed to put forward my views on how the LIC's split up will accentuate the regional imbalances already existing. Because of the existing pressures and pressures likely to develop in future, with regard to decentralisation of public funds, there will be more room for fissiparous tendencies to grow. The investment decision of the corporations will be subject to pressures of different State Governments. After the LIC's split up, the five corporations will not be working on all India basis as in the case of nationalised Banks and the four subsidiaries of the General Insurance Corporation. At best what can happen is that they will have some branches in the other areas of operation. Naturally there will be pressures from the State Governments and the regional bodies to utilise the funds in their own areas. It is wrong to suggest that such a problem will not arise as the investments of all the five corporations will be met according to the Government's directions and the Government will take care of the economically backward regions. I doubt whether at all any one particular region-based corporation can be forced to invest its funds in areas outside its region. In any case, once it is known that the Western Zonal corporation or the Northern Zonal corporation for that matter, is contributing large amounts of the funds collected from its policy-holders for the development of areas in other regions, the State Governments and the regional bodies are bound to raise hue and cry over it.

With the dissolution of the LIC of India, which is an all India institution, the national perspective will disappear. The regional considerations will predominate and even within Zone, the investments cannot be expected to be made with due regard to the needs of the backward regions. Unhealthy pressures from the different Chief Ministers and

regional as also business interest for more share in investment will grow leading to continuous tensions and conflicts. In this connection I may refer to the report of the Administrative Reforms Commission (October, 1968) which has warned "once the process of fragmentation starts, there may be no stopping it. It may eventually lead to each State having its own corporation with all its entanglements. All the fissiparous tendencies handicapping our national life would creep into various corporations. Tendencies towards employment of only local staff and investments, irrespective of need and profitability will become dominating. The idea of regional corporations seems to us to run contrary to the efforts towards integration of India." It is queer indeed that with the loud concern expressed over the threat to national unity caused by regional parochialism and divisive forces, the Government is taking a step to strengthen the very same dangerous forces.

If at all the real purpose of the Bill which has been brought forward is to achieve the objectives specified therein, it is difficult to understand as to why it seeks to completely destroy the employees' political, democratic and trade union rights. For this Bill, Government has taken pains to incorporate several clauses to turn the employees into bonded labour. Section 68 of the Bill clarifies "a provision of this act and rules made thereunder shall have effect, notwithstanding anything contained in the Industrial Disputes Act, 1947 or any other enactment (other than this Act) for the time being in force, or any judgment, decrees or order of any court, tribunal or other authority or any agreement, settlement, award or other instruments in force."

The service matters tribunal envisaged in the Bill cannot be called at all as machinery for the settlement of industrial disputes. Section 32 of the Bill defines "Service Matter" as matter arising out of terms and conditions of service and "grievance with respect to service matter" as grievance of an employee to the effect that he has not been dealt with in regard to that service matter in conformity with the terms and conditions of his service. Thus the scope of service matters tribunal is restricted to adjudication of disputes whether an employee is not dealt with in conformity with the terms and conditions of service. It cannot adjudicate on industrial disputes arising out of the employees' demands for changes in terms and conditions of service or their dissatisfaction with the changes in their service conditions if any, brought about by the corporation.

Section 64 completely negates the employees' fundamental right to take part in any political movement or activities. As if, as an act of grace the employees' right to vote has not been taken away but he has been warned that he shall give no indication of the manner in which he proposes to vote or has voted.

Thus the Bill destroys the process of negotiations between the management of the institution and employees' unions in matters relating to the employees' service conditions and collective rights and benefits, denies to them the machinery for the settlement of industrial disputes, ordinarily available to other public sector employees under the Industrial Disputes Act and completely takes away their fundamental politi-

cal, democratic and trade union rights. This itself raises serious doubts about the intentions of the Government behind bringing forward this Bill.

In the absence of machinery for negotiations and settlements of industrial disputes, the only inevitable consequence will be continuous, accentuating tensions and serious conflicts in the most sensitive field of industrial relations with all its adverse effect on the functioning of the Corporation.

In sum, no valid reasons whatsoever have been advanced for taking such an extreme step of destabilising the biggest public sector financial institution in our country, firmly settled on the path of continuous progress. Not even an attempt has been made to show how administrative controls and legislative measures for more decentralised set up with initiatives at the local level will not be sufficient to achieve the objectives specified in the Bill. An honest desire for bringing about growth in rural business combined with lack of appreciation of the real issues connected with the rural business, semi-feudal approach towards the question of industrial relations and subjective prejudices towards the LIC employees are some of the most over-riding factors that seem to have influenced those who are piloting this Bill. But this is not all. I must add here that the interested classes are together and separately exercising continuous pressures on the state agencies and public sector financial institutions to get for themselves more and more funds to additional channels instead of contributing to capital formation in any significant manner. It is they who are building up pressures for the establishment of five region-based independent competing corporations so that their powerful lobbies whose sphere of influence is confined to States and regions can develop closer contacts with the policy making bodies and the administrators of the regional corporations. The big business also feels that the small region-based corporations can be more susceptible to their pressures. It will be tragic indeed, if the Government succumbs to these unhealthy pressures remaining completely oblivious to the disastrous effects of such a measure from the point of policy-holders' interests, the considerations of balanced economic development and the most crucial question of building up India as one strong nation defeating all communal, divisive forces and regional parochialism.

I do not find it necessary to deal with various other clauses in the Bill since I am totally opposed to the idea of LIC's split up which in my firm conviction, will be against our national interests. I strongly plead that this Bill should be scrapped altogether and instead, the powers vested in the Government under the LIC Act as it stands today should be fully utilised with the positive initiatives and dynamism for achieving the objectives specified in the Bill.

K. A. RAJAN

NEW DELHI;

August 6, 1984

Stravana 15, 1906 (S)

II

We are constrained to submit this Note of Dissent to the majority report of the Joint Committee of Parliament to which the Life Insurance Corporations Bill, 1983 (No. 109 of 1983) was referred. We disagree with the majority report. We must state that the majority report does not reflect the enormous burden of the overwhelming majority of the 732 memoranda, listed by the Committee out of hundreds more received, and the oral evidence tendered on behalf of the interested organisations and individuals.

The majority report in paras 19, 20 and 21 has derived satisfaction from the fact that "the views expressed in the memoranda as well as the oral evidence tendered before it have unequivocally supported the objectives of the Bill as embodied in the Statement of Objects and Reasons." It is so because the objectives are laudable and unexceptionable. But the scheme of the Bill with dismemberment of the LIC and creation of 5 corporations as its focal point carries no reflection whatsoever of intention to carry out in practice any of the objectives; there is not a single provision in the Bill that concerns itself with the attendant problems of spreading Life Insurance to rural areas; there is not one clause that seeks to relieve the LIC of the constraints as to expenses, that are bound to be heavier, in the promotion of business in the rural areas; not one provision is to be found as would generate any degree of dynamism and any one scanning the Bill can hardly come across a single clause that concerns itself either with the "quality of service rendered" or "better operational efficiency." Instead, one stumbles over a plethora of clauses, buttressed by numerous sub-clauses, that run in the contrary direction. The clauses of the Bill are such as would further fortify bureaucratic stranglehold, add a fresh fillip to Governmental interference, push up expenses, increase topheaviness, encourage unethical practices force attention from rural areas to the over saturated urban areas, denude the employees of whatever little rights are left still with them and stoke the fire of reactionary regionalism. Little surprise that though there is universal welcome for the objectives, there is scorn and frown for the clauses. The two simply do not agree. They are not complementary. If anything, these are utterly contradictory. It looks as though the laudable objectives are a camouflage for retrograde clauses. Para 21 of the majority report states that the Bill "seeks a reorganisation of the Life Insurance Industry and comments that this has been misconstrued as mere decentralisation of functions."

In the numerous memoranda and in the oral evidence it has been repeatedly and very effectively argued that the objectives of the Bill can very well be realised within the frame work of the present LIC Act, 1956 if properly planned and phased decentralisation of powers and functions is carried out. No material evidence has been brought before the Committee that can even remotely suggest that decentralisation would not bring about the results sought to be achieved by the Bill. It has, rather, been very correctly emphasised that what lies at the heart problem of further improving the operational efficiency and functional effectiveness with regard to both development of business and better servicing to policyholders is in decentralisation. The majority report fails to take cognizance of the thrust of the submissions on decentralisation which is that the objectives of the Bill can and should

be realised by decentralisation. The objective has to be to ensure servicing at the policyholders' doorstep—personalised servicing.

The expression 'work culture' in Para 21 is misleading. Nowhere in the Bill this expression appears. What is sought to be done under the specious expression "reorganisation" is to change the entire scenario of nationalised Life Insurance from A to Z without leaving any contour untouched. It goes far beyond any known definition of reorganisation.

The majority report in para 22 goes entirely against the massive heap of facts. On the question of servicing to policyholders, it is not true to say that the "present Corporation has not been able to achieve this goal and its actual performance in this regard has not been up to the expectation." On the contrary, the burden of evidence is that the LIC has achieved high levels of performance in the sphere of servicing to policyholders. It has been brought on record that the claim settlement performance of LIC—a sure guide in a Life Insurance organisation—is about the best in the world. Shri M. M. Ahuja, a very senior wholetime Agent in Delhi, who has insured 4000 persons and whose commission earning is Rs. 1,80,000 has, in his evidence acknowledged steady improvements in servicing. Prof. Ishwar Dayal internationally known management consultant and now working as a consultant to LIC has submitted in his evidence that ".....as it is, it functions effectively." Given the level of insurance-awareness literacy and various other social factors, the level of servicing of LIC is one of the best amongst the public undertakings. The inference drawn by the majority that confidence of the community in the ability of LIC to render satisfactory servicing needs to be built up is not at all correct. The vast and steady improvements in servicing and the phenomenal growth in business are unmistakable testimonies to the tremendous confidence that the LIC has come to enjoy over the years. However, as in any human organisation, scope for improvements shall always be there. Greater excellence is always desirable. The reply to the problems of weaknesses, wherever these might exist, cannot be found by splitting the LIC. The majority has erred in that it has conceived improvements in servicing to policyholders as being dependent upon dismemberment of LIC. The remedy prescribed is more dreadful than the unidentified ailment.

Para 23 seeks to underscore the coordinating role of the proposed Life Insurance Board. The majority report has misread the true functions of the Board. The Board is envisaged more as a research body than a body with the legal authority to enforce its decision in the matter of coordination. As it looks, any of the proposed five Corporations, theoretically at least, would be free to ignore the advice tendered by the Board. Without the statutory power to enforce its decision, the views of the Board would be of advisory nature. The real reins of power to make the five Corporations fall in line would remain with the Government. Such a Board can hardly be expected to effect any substantive coordination, far less harmonizing the operations of five Corporations.

The majority report has also erred in conceiving the present LIC as unmanageable. The burden of the memoranda and of the evidence of the witnesses is totally against such a perception. In a country, as vast as India, any organisation operating on a national scale is bound

to be large. LIC cannot be an exception. If the proposed five Corporations, at a later stage by virtue of clause 11(2) of the Bill, are allowed to compete with each other and allowed to function throughout the country the same "problem" of largeness—unmanageability—would arise with five-fold vengeance. The LIC has not become unmanageable.

In the same para, the majority report has preferred to record facile comments on "spreading the message of Insurance into the rural and backward areas and to less privileged sections of the community." This, in the context of the well-argued submissions of the witnesses, particularly by the Actuarial Society of India—the highest professional body of Actuaries and the All India Insurance Employees' Association, besides the cogently reasoned memoranda by various organisations, is too simplistic. The rural realities are far too grave to admit of such simplistic solutions.

Even after 38 years of independence, a minimum of 50 per cent of the population live below the poverty line. There can be no question of mopping up their savings. Another 15 per cent is just marginally above the poverty line. They are concerned most with procuring the bare necessities of life. In the remaining 30 or 35 per cent, the LIC has made a significant dent in that more than one third of its new business is from the rural areas. The social realities in India just cannot be winked away. With half of the population without the guarantee of two morsels of food each day, the scope of rural business is limited indeed. The majority report is good enough as a proclamation of pious intention without the least possibility of being realised. It must be understood that unless the rural economy is drastically restructured and purchasing power created for the masses, such proclamations do not go far beyond proclamations of pious intentions.

Para 24 of the majority report is an example of drawing support from a source material detaching it from the context and conveniently quoting some findings to the exclusion of the remaining from the same material. We fully disagree with findings and recommendations of the majority report. The majority report speaks in a vein as if the whole problem about rural business depends on launching a powerful publicity drive and the saving capacity of the population is of a secondary consequence. The same report of the National Council of Applied Economic Research (NCAER), New Delhi entitled "Attitudes Towards Life Insurance Cover" in page 9 says:

"Over 75 per cent of the non-insured earners who were aware of insurance, did not opt for this form of investment as they could not afford to pay premium. About 11 per cent preferred alternate forms of investment. Around 10 per cent did not get themselves insured as no insurance agent had approached them."

The above excerpt tells its own tale not only about rural insurance, but also, in a way, about the rural economy. The market survey and the strategy and all that the majority report so prescribes are not going to alter the grim realities. The majority report somewhat glibly speaks about "the millions of small farmers, agricultural labour, artisans etc."

These are the sections of our rural society which are being crushed by grinding poverty in the socio-economic set up built up in the country. The majority seems to have preferred to gloss over these inconvenient realities.

But are these sections really not being benefitted by the funds of the LIC? They are. As on March 31, 1983, the total amount of socially purposive investment of LIC amounted to Rs. 4167 crores. These investments are in water supply, electricity, housing, social infrastructural improvements and the like. A large part of the benefit out of these investments are flowing to the poor sections of rural masses.

Besides, the Bill stipulates in sub-clause (3) of clause 9 that the proposed corporations are to function as business organisations and are to be run on commercial line. Unless the Government relieves the LIC of the constraints on expenses and also substantially subsidises the higher costs in rural business, the commercial and business viability of the corporations is bound to be affected. And towards this, there is no provision. Without any provision in the statute to enable the proposed corporations to discharge these responsibilities entailing much higher cost, mere declaration of objectives would not carry things any further.

The majority report in Para 25 seeks to put its recommendations "in the light of the historical background" of the findings and conclusions of two Committees of Parliament and the Krishna Menon Committee of the Congress Party to the significant exclusion of several Committees appointed either by the Parliament or the Government later. It needs to be put on record that the Government did not accept the recommendations of the Estimates Committee (second Lok Sabha, 1960-61) and of the Committee on Public Undertakings (Third Lok Sabha, 1965) and retained the monolithic character of LIC. The Government accepted the findings and recommendations of Working Group on Life Insurance Administration of the Administrative Reforms Commission and later the Committee 'To enquire into the Expenses of LIC (Morarka Committee) of 1969—both of which rejected the proposal of splitting and strongly recommended for retention of the structure of the LIC as prescribed in the LIC Act, 1956. The "historical background" the majority report refers to is, at best, partial. The LIC has grown as one monolithic organisation with the same conditions of contract, same premia and bonus rates and with the same security of a public undertaking and the same Government guarantee as to safety of capital.

The majority report seeks to wash away some of the very real problems that would confront the policyholders in the event of the present LIC being finally split into five Corporations. The policyholders purchased Life Insurance policies from the LIC, constituted under the LIC Act 1956, with uniform premia and bonus rates and with the liberty to get their policies serviced by any office in any part of India. The stipulation of the Bill about which the majority report does make no motion that the policyholders would get a one-time option to attach their policies to any of the proposed five corporations, put the policyholders to great disadvantage including the chance of being treated differentially in future, makes at least two corporations immediately vulnerable,

creates an unnecessary load of administrative work. Besides, the legality of such a provision remains open to challenge at any time later.

The majority report, very unfortunately, does not breathe a word about the provisions of the Bill directly relating to the employees. It seems to approve by silence the withdrawal of the right to collective bargaining, pushing the employees out of the purview of the labour welfare legislations including the Industrial Disputes Act 1947 and deployment of legislative measure to suppress a collective bargaining settlement a method disapproved by the International Labour Organisation (ILO) as brought out in the evidence and, on top of everything, unfettered powers of the Government to unilaterally decide the wages and service conditions of employees and also enforcing these through executive fiat. The majority report has not recommended against even the suppression of all political rights despite a judgement of the Supreme Court in the case of Sukhdeo Singh and others vs the Union of India (1975 LLJ1: 399) as revealed in the evidence. There is no comment even on the proposed Service Matters Tribunal—a pernicious concept.

The majority report in Para 12 states that the Joint Committee also recorded the evidence of representatives of the LIC

In reply to a question in Lok Sabha on July 30, 1982, the Government stated that the management of LIC was opposed to the proposal of splitting the LIC. The representatives who were examined being serving executives, are under sever constraints and can hardly be expected to voice opposition to a Bill introduced in the Parliament by the Government.

The majority report has preferred to remain silent on the grave problems of actual functioning and operation of the proposed five Corporations in the context of their vastly different potential. With the passage of time different rates of bonus to policyholders and premia are bound to arrive. This would elbow the Western, Eastern and Central Zonal Corporations out of competition and render them sick. The enormous problem of transition and transfer of policies are sufficient to put the functioning of the proposed corporations out of gear.

At a time when fissiparous tendencies are threatening the unity of the country, the proposed splitting of LIC would be a great disservice and would be a boon to all seeking to destroy the integrity of India.

For reasons of brevity, we do not go into several other points. It would be a sad day indeed if this national institution—the LIC—is finally dismembered. We disagree with the majority report and still request for the abandonment of the Bill.

SUNIL MAITRA
SUKOMAL SEN

NEW DELHI;
August 7, 1984
Srawana 16, 1906 (S)

III

I am constrained to submit this Note of Dissent to the majority report of the Joint Committee of Parliament to which the Life Insurance Corporations Bill, 1983 (No. 109 of 1983) was referred. I disagree with the majority report. I must state that the majority report does not reflect the enormous burden of the overwhelming majority of the 732 memoranda, listed by the Committee out of hundreds more received, and the oral evidence tendered on behalf of the interested organisations and individuals.

The majority report in paras 19 and 20 has derived satisfaction from the fact that "the views expressed in the memoranda as well as the oral evidence tendered before it have unequivocally supported the objectives of the Bill as embodied in the statement of objects and reasons". It is so because the objectives are laudable and unexceptionable. But the scheme of the Bill with dismemberment of the LIC and creation of 5 corporations as its focal point carries no reflection whatsoever of intention to carry out in practice any of the objectives; there is not a single provision in the Bill that concerns itself with the attendant problems of spreading Life Insurance to rural area; there is not one clause that seeks to relieve the LIC of the constraints as to expenses, that are bound to be heavier, in the promotion of business in the rural areas; not one provision is to be found as would generate any degree of dynamism and any one scanning the Bill can hardly come across a single clause that concerns itself with the either with the "quality of service rendered" or "better operational efficiency". Instead, one stumbles over a plethora of clauses, buttressed by numerous sub-clauses, that run in the contrary direction. The clauses are such as would further fortify bureaucratic stranglehold, add a fresh fillip to Governmental interference, push up expenses, increase topheaviness, encourage unethical practices, force attention from rural areas to the over saturated urban areas, deprive the employees of trade union rights and truncate political rights. Little surprise that though there is universal welcome for the objectives, there is scorn and frown for the clauses. The two simply do not agree. They are not complementary. If anything, these are utterly contradictory. It looks as though the laudable objectives are a camouflage for retrograde clauses.

Para 21 of the majority report states that the Bill "seeks a reorganisation of the "Life Insurance Industry"—and comments that this has been "misconstrued as mere decentralisation of functions."

In the numerous memoranda and in the oral evidence it has been repeatedly and very effectively argued that the objectives of the Bill can very well be realised within the frame work of the present LIC Act, 1956 if properly planned and phased decentralisation is carried out. No material evidence has been brought before the Committee that can be even remotely suggest that decentralisation would not bring about the results sought to be achieved by the Bill. It has, rather, been very correctly emphasised that at the heart problem of improving the operational efficiency and functional effectiveness with regard to both development of business and better servicing to policyholders lies in decentralisation. The majority report fails to take cognizance of the thrust of

the submissions on decentralisation which is that the objectives of the Bill can and should be realised by decentralisation. The objective is to ensure servicing at the policyholders doorstep personalised servicing.

The expression 'work culture' is misleading. Nowhere in the Bill this expression appears. What is sought to be done under the spacious expression "reorganisation" is to change the entire scenario of nationalised Life Insurance from A to Z without leaving any contour untouched. It goes far beyond any known definition of reorganisation.

The majority report in Para 22 goes entirely against the massive heap of facts. On the question of servicing to policyholders, it is not true to say that the "present corporation has not been able to achieve this goal and its actual performance in this regard has not been up to the expectation." On the contrary, the burden of evidence is that the LIC has achieved high levels of performance in the sphere of servicing to policyholders. It has been brought on record that the claim settlement performance of LIC—a sure guide in a Life Insurance Organisation—is about the best in the world. Shri M. M. Ahuja, a very senior wholtime agent in Delhi, who has insured 4000 persons and whose commission earning is Rs. 1,80,000 has in his evidence acknowledged steady improvements in servicing. Prof. Ishwar Dayal, internationally known management consultant and now working as a consultant to LIC has submitted, in his evidence, that "...as it is it functions effectively." Given the level of insurance-awareness, literacy and various other social factors, the level of servicing of LIC is one of the best amongst the public undertakings. The inference drawn by the majority that confidence of the community in the ability of LIC to render satisfactory servicing needs to be built up is not at all correct. The vast and steady improvements in servicing and the phenomenal growth in business are unmistakable testimonies to the tremendous confidence that the LIC has come to enjoy over the years. However, as in any human organisation, scope for improvements shall always be there. Greater excellence is always desirable. The reply to the problems of weaknesses, wherever these might exist, cannot be found by splitting the LIC. The majority has erred in that it has conceived improvements in servicing to policyholders as being dependent upon dismemberment of LIC. The remedy prescribed is more dreadful than the unidentified ailment.

Para 23 seeks to underscore the coordinating role of the proposed Life Insurance Board. The majority report has misread the true functions of the Board. The Board is envisaged more as a research body than a body with the legal authority to enforce its decision in the matter of coordination. As it looks, any of the proposed five corporations, theoretically atleast, would be free to ignore the advice tendered by the Board. Without the statutory power to enforce its decisions, the views of the Board would be of advisory nature. The real reins of power to make the five corporations fall in line would remain with the Government. Such a Board can hardly be expected to effect any substantive coordination far less harmonising the operations of five corporations.

The majority report has also erred in conceiving the present LIC as unmanageable. The burden of the memoranda and of the evidence of

the witnesses is totally against such a perception. In a country as vast as India, any organisation operating on a national scale is bound to be large. LIC cannot be an exception. Largeness by itself is not undesirable. If properly put to use, it is helpful, what is required is decentralisation of powers, decision making and functioning.

In the same para, the majority report has preferred to record facile comments on "spreading the message of insurance into the rural and backward areas and to less privileged sections of the community." This, in the context of the well-argued submissions of the witnesses, particularly by the Actuarial Society of India—the highest professional body of Actuaries, besides the cogently reasoned memoranda by various organisations, is too simplistic. The rural realities are far too grave to admit of such simplistic solutions.

Even after 38 years of independence, a minimum of 50 per cent of the population live below the poverty line. There can be no question of mopping up their savings. Another 15 per cent is just marginally above the poverty line. They are concerned most with procuring the bare necessities of life. In the remaining 30 to 35 per cent, the LIC has made a significant dent in that more than one third of its new business is from the rural areas. The social realities in India just cannot be winked away. With half of the population without the guarantee of two morsels of food each day, the scope of rural business is limited indeed. The majority report is good enough as proclamation of pious intention without the least possibility of being realised. It must be understood that unless the rural economy is drastically restructured and purchasing power created for the masses, it does not go far beyond gimmicks.

Para 24 is an example of drawing support from a source material detaching it from the context and conveniently quoting some findings to the exclusion of the remaining from the same material. I fully disagree with the findings and recommendations of the majority report. The majority report speaks in a vain as if the whole problem about rural business is launching a powerful publicity drive and the saving capacity of the population is of a secondary consequence. The same report of the National Council of Applied Economic Research (NCAER), New Delhi entitled "Attitudes Towards Life Insurance Cover" in page 9 says:

"Over 75 per cent of the non-insured earners who were aware of insurance, did not opt for this form of investment as they could not afford to pay the premium. About 11 per cent preferred alternate forms of investment. Around 10 per cent did not get themselves insured as no insurance agent had approached them."

The above excerpt tells its own tale not only about rural insurance, but also, in a way, about the rural economy. The market survey and the strategy and all that the majority report so pompously prescribes are not going to alter the grim realities and the grimacing options. The majority report somewhat glibly speaks about "the millions of small farmers, agricultural labour, artisans etc." These are the sections of our rural society which are being crushed by grinding poverty in the

socio-economic set up built up in the country. The majority seems to have preferred to gloss over these inconvenient realities.

But are these sections really not being benefitted by the funds of the LIC? They are. They derive benefit through socially purposive investments in water-supply, electricity, social infrastructural improvements and the like. A large part of the benefit out of these investments are flowing to the poor sections of rural masses.

Besides, the Bill stipulates that the proposed corporations are to function as business organisations and are to be run on commercial line. Unless the Government permits proper returns on investments, relieves the LIC of the constraints on expenses and also substantially subsidises the higher costs in rural business, the commercial and business viability of the corporations is bound to be affected. And towards this, there is no provision. Without any provision in the statute to enable the proposed corporations to discharge these responsibilities entailing much higher cost, mere declaration of objectives would not carry things any further.

The majority report in Para 25 seeks to put its recommendations "in the light of the historical background" of the findings and conclusions of two Committees of Parliament and the Krishna Menon Committee of the Congress Party to the significant exclusion of several Committee appointed either by the Parliament or the Government later. It needs to be put on record that the Government did not accept the recommendations of the Estimates Committee (Second Lok Sabha, 1960-61) and of the Committee on Public Undertakings (Third Lok Sabha, 1965) and retained the present character of LIC. The Government accepted the findings and recommendations of Working Group on Life Insurance Administration of the Administrative Reforms Commission and later the Committee to enquire into the expenses of LIC (Morarka Committee) on 1969—both of which rejected the proposal of splitting and strongly recommended for retention of the structure of the LIC as prescribed in the LIC Act, 1956. The "historical background" the majority report refers to is, at best, partial. The LIC has grown as one organisation with the same conditions of contract, same premia and bonus rates and with the same security of a public undertaking and the same Government guarantee as to safety of capital.

The majority report seeks to wash away some of the very real problems that would confront the policyholders in the event of the present LIC being finally split into five corporations. The policyholders purchased Life Insurance policies from the LIC, constituted under the LIC Act, 1956, with uniform premia and bonus rates and with the liberty to get their policies serviced by any office in any part of India. The stipulation of Bill about which the majority report does make no mention that the policyholders would get a one-time option to attach their policies to any of the five corporations, put the policyholders to great disadvantage including the chance of being treated differentially in future, and creates an unnecessary load of administrative work. Besides, the legality of such a provision remains open to challenge at any time later.

The majority report, unfortunately, does not breathe a word about the provisions of the Bill directly relating to the employees. It seems to approve by silence the withdrawal of the right to collective bargaining, pushing the employees out of the purview of the labour legislations including the Industrial Disputes Act, 1947, an industrial relations law, and deployment of legislative measure to suppress a collective bargaining settlement, and on top of everything, unfettered powers of the Government to unilaterally decide the wages and service conditions of employees and also enforcing these through executive fiat, and that too with retrospective effect, a method disapproved by the International Labour Organisation (ILO), a tripartite body of trade union rights of employers and the employees. The deprivation of trade union rights of collective bargaining as well as political rights of employees is unlike the conditions existing for similar public or private service employees in democratic countries. There is no comment even on the proposed Service Matters Tribunal—a pernicious concept.

The majority report has not recommended even removal of the suppression of political rights despite a judgement of the Supreme Court in the case of Sukhdeo Singh and others vs. the Union of India (1975 LLJI, 399).

The majority report in para 12 States that the Joint Committee also recorded the evidence of representatives of the LIC. In reply to a question in Lok Sabha on July 30, 1982 the Government stated that the management of LIC was opposed to the proposal of splitting the LIC. The representatives, being serving executives, are under severe constraints and can hardly be expected to voice opposition to a Bill introduced in the Parliament by the Government, particularly when their services are dependent on the pleasure of the Government.

With a view to have more business in rural areas and weaker sections, atleast for those individuals who can afford amongst them, the Life Insurance has to be made attractive and, though of peculiar nature, competitive with other savings media. Therefore, the report should have made recommendations for decentralisation of powers, better returns, improved investment and valuation policies, reduction in government share on return on capital, exemption of LIC surplus from income tax payment and other appropriate measures.

For reasons of brevity, I do not go into several other points. It would be a sad day indeed if this national institution—the LIC—is finally dismembered.

I disagree with the majority report and still request for the abandonment of the Bill.

DR. SHANTI G. PATEL

NEW DELHI;

August 8, 1984

Shravana 17, 1906 (S)

IV

This committee was set up to elicit public opinion on the LIC Bill introduced in 1983, proposing to split the present Life Insurance Corporation into five Corporations purportedly on the recommendations of the Era Sezhiyan Committee. The Committee held sittings at Delhi, Ahmedabad, Trivandrum, Madras, Hyderabad and Calcutta. It received memoranda from large number of individuals and organisations and gave personal hearing to over 50 Organisations and Individuals whose opinion could be considered pertinent and vital in the context of the proposed legislation.

Amongst those who furnished evidence were, (1) Workers' Organisations, (2) Some State Government Representatives, (3) Management Experts, (4) Consumers Organisations, (5) Technical and Acturial Experts, (6) Ex-Chairman of the LIC, (7) Bank Officials, (8) SC/ST Representatives, (9) Insurance Institutes, (10) Chambers of Commerce, and (11) some leading Citizens.

Support to Bill

There was opinion both in favour and against the proposition of splitting the L.I.C.—The following Organisations supported the Bill:—

- (1) LIC Employees Union (I.N.T.U.C.).
- (2) Representatives of the Gujarat Government.
- (3) Representative of Confederation of Bank Officers Organisation Bombay.
- (4) Life Insurance Employees Congress, Rajkot (I.N.T.U.C.).
- (5) Bombay Chamber of Commerce and Industry.
- (6) All India SC/ST and Neo Buddhist L.I.C. Welfare Employees Association.
- (7) Government of Kerala, Trivandrum.
- (8) National Life Insurance Employees Association, Trivandrum (I.N.T.U.C.).
- (9) Consultative Committee of City Chambers of Commerce, Madras.
- (10) South Zone Life Insurance Employees Association, Madras (I.N.T.U.C.).
- (11) Insurance Corporation Employees Congress and Indian National Insurance Employees Congress, Madras (I.N.T.U.C.)
- (12) Jatiya Jeevan Bima Karamchari Samiti, Calcutta.

Conditional Support

There were some witnesses who provided conditional support to the proposition of splitting the L.I.C. They supported the basic objectives of the bill provided that the new Corporations were given freedom to compete with each other in the whole of the country. They were:—

- (1) Voluntary Organisation in interest of Consumer Education (VOICE), New Delhi.
- (2) Consumer Education and Research Centre, Ahmedabad.
- (3) Consumer Protection Centre, Ahmedabad.

Opposition to Bill

The Organisations and Individuals opposing the split were:—

- (1) Janvadi Mahila Samiti.
- (2) National Federation of Indian Women.
- (3) Shri Ishwar Dayal (Management Consultant).
- (4) Shri M. M. Ahuja (Direct Agent for 43 years).
- (5) Reserve Bank Employees Union.
- (6) Employees State Insurance Employees Corporation Employees Union, Ahmedabad.
- (7) Shri Mohan Dharla.
- (8) Acturial Society of India, Bombay.
- (9) Retired Insurance Officers Association.
- (10) All India Life Insurance Employees Association, Bombay.
- (11) All India Life Insurance Employees Federation, Bombay.
- (12) Shri J. R. Joshi, Ex-Chairman, L.I.C.
- (13) General Insurance Employees of India, Bombay.
- (14) National Organisation of Insurance Workers.
- (15) Federation of L.I.C. of India Class I Officers Association, Calcutt.
- (17) M. Abubaker—Mayor of the Corporation of Trivandrum.
- (18) All India Trade Union Congress.
- (19) J. Mathan, Ex-Chairman, L.I.C. of India.
- (20) South Zone Insurance Employees Federation.
- (21) Shri A. Ramachandran (Barrister-at-law), Madras.
- (22) Centre of Indian Trade Unions, Tamil Nadu.
- (23) Shri N. Ram Associate Editor "Hindu".
- (24) Insurance Corporation Employees Union and Representatives of 26 Unions, Associations, Madras.
- (25) Vishakhapatnam Insurance Institute.
- (26) Eastern Zone Insurance Employees Association, Calcutta.
- (27) Life Insurance Agents Federation of India, Calcutta.
- (28) All India Insurance Employees Association.
- (29) United Movement of Workers, Employees and Teachers.
- (30) Shri Kalyan Dutt, Professor of Economics, Jabalpur University.
- (31) National Federation of Insurance Field Workers of India.

It appears that the majority recommendation of this Committee have chosen to ignore a number of factors that were placed as evidence before us. The valuable suggestions and deposition made by several learned witnesses before us exposed the inherent contradictions in the structure of the bill which the honourable members constituting the majority of this committee have sought to ignore.

Therefore, before analysing the evidence gathered during our sittings we shall endeavour to record briefly the point of view of the various organisations.

Workers Organisations

Employees of the L.I.C. were generally opposed to the Bill. But workers Organisations affiliated to the I.N.T.U.C. supported the Bill. They felt that the spread of Insurance in the rural areas has been limited because of a monolithic set-up, and creation of five Corporations will improve matters. Operational efficiency will also go up comparatively, as lines of communications will be shortened.

Consumers Organisations

The Consumer Organisation that appeared before us gave conditional support to the bill and advocated splitting of the L.I.C. only if the new Corporations were to be competing units instead of non-competing units as proposed in the bill.

Dr. Sriram Khanna, a Lecturer at the Delhi School of Economics representing a consumers' Organisation named VOICE (Voluntary Organisation in Interest of Consumers Education) in his evidence before us brought out the fact that requirement of Government permission by a new Corporation to do business in another region gave a non-competing character to the new Corporation. Cross-examined on this point before the Committee, Dr. Khanna stated that competition could be achieved even if the premia rates of all the Corporations were centrally determined as in the case of rates of interest determined by the Reserve Bank of India in respect of the banking sector. He said in such a case non-price competition would result in better service to the present and future policy holders of the L.I.C. He held that the policyholders would have been much better off even under the pre-nationalisation privately owned insurance companies, as some of these companies currently operating in foreign countries were able to provide much better rates of premia, and even inflation-linked policies in developing as well as developed countries.

The Consumers Organisations of Ahmedabad led by Shri Manubhai Shah while supporting the Bill wanted radical changes to be incorporated. According to this Organisation, the five Corporations emerging out of a split should not have a regional character, but an All India Character. They should compete with each other throughout the country. The four G.I.C. Corporations and their subsidiaries also should be allowed to transact Life Insurance Business, and the Life Insurance Corporations should be allowed to do General Insurance business also, it was contended. According to Shri Shah, the Corporations should be made absolutely independent as in U.K. and should not be pestered with Government interference. Again Mr. Shah wanted consumer involvement in the Board of Director (which should be a policy making body and not of advisory character) and on all other committees. Nominations on the Board and the Committees according to him should not be made by Government but by reputed agencies like National Council of Applied Economics Research, Indian Institute of Management, Institute of Chartered Accountants, Institute of Actuaries etc. etc.

In the matter of investment Shri Shah said that under approved guidelines, provident fund, Super Annuation Fund and even trust money

belonging to the people are allowed to be invested in annuities which provide 11 per cent interest. L.I.C. is getting only 8 per cent interest. The whole investment policy must be re-examined.

Bank Officers Organisation

In their evidence, the Bank Officers Organisation made some significant points. According to them the office of the Controller of Insurance should not be subordinate to the Finance Ministry but should be answerable to Parliament. They suggested that the Claims Tribunals should be under the jurisdictions of the State High Courts. They also wanted an amendment in the Bill allowing Banks to transact Insurance business as is being done by some banks in the U.S.A. It was their contention that with their existing set-up they could take-up insurance upto a certain limit without incurring much expenditure.

SC/ST Organisations

The Scheduled Caste and Scheduled Tribes Associations supported the Bill but mainly on the ground that in the present Corporation they have not been given fair representation. This aspect of the problem has got to be examined.

J. Mathan Ex-Chairman, LIC

Shri J. Mathan, an ex-Chairman of the L.I.C. and an Insurance expert stated that by splitting there will be a marginal advantage as decisions will be taken at the Zonal levels instead of the Central level. He, however, felt that if the five Corporations work with the same premium rates and give the same bonus, the expenses will increase. Working with different rates and giving different profits, according to him was not practicable. Splitting would not improve business procurement in rural areas as creation of stable rural agency force was a very difficult job. According to him, more incentives would have to be provided to the rural agents and then too, the scope was limited because 50 per cent of the people in rural areas are below the poverty line.

Office Employees Associations

Apart from the INTUC Unions, there are four All India Office Employees Unions in the L.I.C. All these Organisations opposed the splitting of the L.I.C. Most of them felt that the Bill was aimed at subverting their right of collective bargaining. There is in the Bill a provision imposing an embargo on L.I.C. employees having any association with political parties. No such provision obtains in the matter of any other private sector organisation. Introduction of this particular amendment therefore has only confirmed the apprehensions and misgivings of the employees.

According to Shri P. P. Patil, spokesman of the All India Insurance Employees Federation, dividing the L.I.C. into five Corporations would lead to different bonus being paid by different Corporations. This would result in a scramble by policy-holders to transfer their existing insurance or take insurance with the most prosperous Corporation. This

iniquity would arise not out of operational efficiency but because of the uneven economic growth in the country. Today, policyholder in Bombay and North Bihar get the same bonus. But after the split, the bonus of a North Bihar Policyholder might become less than half that paid by the Bombay based Corporation. According to him, more of decentralisation, and not a split, was required.

Shri Saroj Choudhary, the spokesman of the All India Insurance Employees Association, also argued on the same lines. He further criticized the Bill for denying the right of collective bargaining to the workers.

Prof. Ishwar Dayal (Management Consultant)

According to Prof. Ishwar Dayal, a Management Consultant, there should be more decentralisation, and not splitting up of the L.I.C. He felt that the Zonal Offices should be made autonomous. The responsibility of intensified development must rest with the Branch and its network should be expanded so that it is easily accessible to the policyholder for total service. His contention was that if Regional Corporations opened any Branches in other areas, they would have to open Divisional Offices to supervise them. This will increase cost ratio of each Corporation. In reply to a question that L.I.C. Branches had not gone to 43 Districts, while Banks were opening Branches, Prof. Ishwar Dayal said, 'Banks and Insurance are not comparable. In the Banking Organisation the Branch is a Unit of Production. If there is no Branch there is no business. In Insurance the Development Officer and Agent is the unit of production. If there is no Development Officer, no Agent, there is no business. A Development Officer need not be posted at a branch headquarter.' Explaining the bottlenecks in policyholders servicing Prof. Ishwar Dayal said, "There was a centralized system of record-keeping by unit record machines. The number of policies increased and the machines were not able to cope with the additional load. Faster information is necessary about lapsation and various other aspects of working. New smaller machines have been installed at Branch level which will throw up information and result in corrective action much faster."

M. M. Ahuja, Insurance Agent for 43 years

Shri M. M. Ahuja said that smaller units can go on becoming more and more expensive. He said that this was obvious from the working of the General Insurance Corporation. The third party insurance rate eight years back was Rs 17; now it has gone up to Rs 48.

L.I.C. as one unit is perhaps the only public sector unit which has not increased premium rates since nationalisation, while profits have increased per thousand insurance on whole life and endowment policies from Rs. 12 and Rs. 15 to Rs. 34 and Rs. 42.50. This is the position when 80 per cent of L.I.C. funds fetch and interest rate of $8\frac{1}{2}$ per cent. If interest rate is increased by 1 per cent, bonus to policyholders can go up by another 40 per cent.

Shri Mohan Dharla

Shri Mohan Dharla, while opposing the Bill, said that the fault with the existing set-up of the L.I.C. is that it came from the Capitalistic Sector to the bureaucratic sector. Public sector should be one which serves the needs of society and should help social transformation of the country. If the Corporation is split, the Southern and the Western Corporations will be having much more business than the other Corporations. Money collected in these zones will be required to be spent in these areas. This may not be correct. We see fissiparous tendencies that are developing in the country. The public sector undertakings should cater more for the weaker sections of the country than for the development of the urban regions of the country. It is not the Corporation but the Government which has gone wrong. What is required is taking the employees into confidence and involvement of the people. The Corporation should be autonomous and the Zonal Offices should be given more powers.

Acturial Society of India, Bombay

The representatives of the Acturial Society of India, an expert body which appeared before our Joint Committee, were senior officers who had retired as Managing Directors or Executive Directors of the L.I.C. According to them, the objectives of nationalising life insurance could be better achieved by providing real autonomy to, and decentralisation of functions of, the Zonal, Divisional and Branch Offices. This could be brought about by suitable amendment of the L.I.C. Act.

It was their contention that if at all the split has to take place, the L.I.C. Board should be constituted into a sixth Corporation to determine bonus rates and premium rates. They felt that if this was not done there would be tremendous pressure on regional corporations for investment of Funds in their own regions by the State Governments. Another factor was that unequal economic development of various regions would force the Corporations to have unequal rates of Bonus, irrespective of operational efficiency or inefficiency. Central finances would ensure a common rate of bonus and equitable investment.

They were against the idea of a split but if other Corporations had to be empowered to function in the field of Life Insurance, they preferred the G.I.C. subsidiaries, as they had an all India character and necessary infrastructure to do the job. What they recommended was effective decentralisation.

J. R. Joshi, Ex-Chairman, L.I.C.

Shri J. R. Joshi was the previous chairman of the L.I.C. The present incumbent is the current-in-charge and not designated as a Chairman. According to Shri Joshi "If you want competition you do not have to divide the L.I.C. You can have it in a different way. The State Bank of India has 6000 Branches. It has 2000 to 3000 branches in the rural areas. The Branches of the State Bank can do the work and become competitors with the L.I.C."

Shri Joshi also pointed out that it would be hard on officers who were upto now transferable throughout the country to get stuck up in a regional Corporation away from their own region or go out of job. He also questioned the right of a third party like the Service Matters Tribunal to decide issues arising out of differences arising between the employees and the Management.

Federation of Life Insurance Corporation of India, Class I Officers Association

The working of the L.I.C. was examined by various Committees starting with the Estimates Committee 1964-65, and followed by the Administrative Reforms Committee, the Morarka Committee etc. etc. Both Morarka Committee and the A.R.C. strongly opposed the idea of a split in the Corporation.

The Era Sezhiyan Committee's conclusions are not logical. Rural business is dependent on various factors including the purchasing capacity of the rural masses. Even in the banking sector which has 43,000 Branches in the country, rural business deposit-wise and account-wise is 11 per cent to 13 per cent

According to them, L.I.C. was hardly a monolithic Corporation. It had less than 1000 Branches. The smallest Bank in the public sector has 1200 Branches while the biggest Bank, the State Bank of India has 6,000 Branches.

Institute of Development Studies, Madras

Splitting the L.I.C. will mean higher cost in terms of administrative expenses. Certain jobs will have to be duplicated. There has been a study of costs and scale of operations. As the scale of operation increases the costs come down upto a certain stage. Objectives of the Era Sezhiyan Committee can be fulfilled by granting more autonomy to the Zones and not by splitting the Corporation.

Shri N. Ram, Associate Editor—Hindu (Madras)

According to Shri N. Ram, the L.I.C. as a unitary organisation has been functioning very well. Shri N. Ram further said that a few years ago there was a unfortunate move to split C.S.I.R. (Central Scientific Institute of Research) and attach laboratories to user ministries. There was a national outcry against this move. In the proposed split of the L.I.C. we find a parallel.

National Federation of Insurance Field Workers of India

The spokesman of the National Federation of Insurance Field Workers of India stated that it is wrong to say that the L.I.C. has failed in its working. According to them wrong policy decisions taken by the Government had stifled the growth of the L.I.C. Shri M. M. Sadanah pointed out that at a certain stage the government decided that the institution of Development Officers was superfluous and should be eliminated. Recruitment of Development Officers was stopped and their strength came down from 8200 to 6300. Because recruiting, training, supervising

and motivation of Agents is the job of the Development Officers, the decline in their numbers resulted in decline in the strength of the Agents whose number came down from over 1,50,000 to 1,10,000. According to Mr. Sadanah an even more alarming factor was that all the existing Development Officers were in the Age Group of 45—55 years and had a short span of service. The L.I.C. had recruited about 800 new Development Officers from 1980 to 1983 but they were from the same age group as they were mostly promoted from existing members of the office staff. According to him, youngsters in their twenties were required to be recruited by the L.I.C. to ensure a stable and progressive growth of the institution, but this could not be done under the New Service Conditions of the Development Officers as they were not allowed adequate time of seven to eight years to mature as sales organizers in one of the most difficult job, that of Insurance selling.

Autonomy to the Corporation

One common element in the statements of all who appeared before the Committee either to support or oppose the Bill was that the Life Insurance Corporation had no autonomy in the matter of day to day functioning. Government's contention is that it takes only general policy decisions, and that in its functioning the LIC Board is fully autonomous. This is however not borne out by the facts placed before us. It was pointed out by the deposing members that even the issue of sanctioning terrycot uniforms to the staff in place of cotton uniforms had to be referred to government for sanction. Again, the matter of paying a special monthly allowance to the recently trained cadre of employees to handle sophisticated machines installed in the Branches was referred to the government. Sanction came only after two years. These are illustrations which show how bureaucratization has been strangling the L.I.C. in its growth and development.

Monolithic Structure

The L.I.C. with 980 Branches and about 60,000 employees can hardly be termed as unmanageable, or having monolithic structure. The State Bank of India had 6,000 Branches with lakhs of employees. The smallest nationalized bank has 1200 Branches. The problem before us is not the size of the institution, but to find ways and means to improve its operational efficiency, to ensure the effective spread of insurance in the rural areas, and improvement in the quality of service rendered to the policy holders. This purpose can be achieved by giving more autonomy to the five zones and allowing the Life Insurance Corporation to carry on its present programme of making the Branches full fledged "sales and service units", catering to all the needs of the Insuring public. This process of decentralization from the Division to the Branches was started recently. In 1981-82 only one Division embarked on this. In 1982-83, 20 Divisions were doing it. In 1983-84 all Divisions except two have started this job. If L.I.C. Branches in the country are converted into full fledged sales and service units, the policyholder will not have to go from office to office, but to his own Branch Office for all his requirements. Let the L.I.C. be helped in this process of decentralization.

Spread of Branches and rural business

One argument given is that the L.I.C. has been slow in the spread of its network of Branches. Comparison is made with the Banks. The Banks had in 1969 at the time of Nationalization 1832 Branches; in 1982 they had 20,394 branches. It is asked why the L.I.C. has only 980 branches. The L.I.C. under the Act has been required to function on a commercial basis. This provision is incorporated in the present Bill also. The L.I.C. will open Branches only if they are viable, otherwise it will appoint a Development Officer to set up a net work of Agents. Only when the potential is developed the L.I.C. opens Branches. Even then the L.I.C. has reached all corners of the country. The following facts were furnished by the Ministry of Finance:

Total Distt.	Distts. with LIC Branches	Distts. without Branches but with Organi- sations	Distts. without Field Organizations
420	373	97	10

Thus the total number of Districts without Branches and without Field Organisations is 10 out of 420. The population of these Districts without Branches and Field Force is .60 per cent which in terms of population means about 4 lakhs out of about 70 crores. Again it is said that rural business is inadequate. Whereas the Committee were informed that it is 32 per cent in terms of policies and 25 per cent in terms of sum assured. In the South Zone the rural business is 42 per cent. It is true that a large portion of our population lives below the poverty line. We are not dealing with social Insurance which is given for the benefit of socially down-trodden and other poor sections of society. We are dealing with Insurance sold by a business Institution which has got to be purchased, for which purchaing capacity has to be there. Moreover, traditionally rural masses have an inclination of investing in material goods, be it a tractor, lands, ornaments, bullocks etc. That is why even in Bank deposits the rural share in terms of number of depositors and total amount deposited works out to 11 per cent to 13 percent of the total deposits mobilized.

For the spread of rural Insurance we shall have to change the habits of the rural masses. This requires the services of a team of dedicated Development Officers and Agents. We shall have to give more incentive to rural agents and start with subsidized Rural Insurance. There should also be more attractive plans which can look after a person during his illness or disability and forced inaction. There should also be premium pass books issued to the policyholders, particularly rural policyholders, who cannot make files of periodic receipts.

Competition

Even though we are opposed to the present form of the Bill for reasons enumerated above we see weight in the argument that splitting of L.I.C. can perhaps be instrumental in providing better service to both rural and urban consumers if each new corporation is left free to compete with each other in the country as a whole. Some witnesses also favoured that the selected banks and the General Insurance Corporation

be allowed to compete with the L.I.C. and in turn LIC be allowed to transact General Insurance business. These were very valuable suggestions. Even additional costs of opening divisional offices in other regions can be more than offset by altering staffing and management patterns and decentralisation of authority and responsibility to make each branch a profit centre and allow only skeleton staff at the divisional office essentially for providing support services and monitoring the performance of branches.

Indeed, the time has come to substitute the concept of state monopoly with state oligopoly wherein different public sector corporations in the same nationalised industry enter into direct competition with one another so that the citizen has a choice of approving or disapproving the product or service provided by a corporation by patronising or refusing to patronise it. The process of nationalisation is not confined merely to substituting private ownership with state ownership but must encompass a better deal for the ultimate beneficiary—the citizen, firstly through better terms of an insurance contract and secondly, through an optimal utilisation of investible funds in a pragmatic mix of commercial return as well as redistributive justice. During the last three decades we have sought to achieve efficiency in the public sector through bureaucratic control, and have failed miserably. The time has come to grant real autonomy to the corporation, rid it of bureaucratic control and allow it to compete with other public sector corporations. Over time, only the most efficient and professionally managed corporations will be in a position to expand and contribute surpluses to the public exchequer while inefficient ones will have to curb costs, reorient management patterns and raise efficiency levels to expand and grow. The two beneficiaries of this competition will be the state, which shall receive all the surpluses and the citizen who will have a better service. The public sector worker will then have to adapt to a competitive environment and raise levels of efficiency. There is no doubt that with increase in productivity his service conditions will continue to prosper. Unfortunately, the majority in this Committee did not find merit in these arguments and went in favour of non-competing corporations to be formed after the split. They have mainly relied on the Era Sezhiyan Committee Report to derive strength in support of the argument for non-competing corporations. We feel that the views of the majority of this Committee as well as the recommendation of the Era Sezhiyan Committee quoted in the majority's present report are misconceived in the context not only of the L.I.C., but also of the Indian public sector as a whole.

Field Force

A real re-evaluation of the role of a Development Officer in the set up of the L.I.C. has to be made. Even the Era Sezhiyan Committee disagreed with the present mode of appraisal of the work of a Development Officer. The Era Sezhiyan Committee recommended that the work of a Development Officer should be appraised not on the basis of cost but on the basis of New Agencies made, activation of Agencies, and addition to them from year to year. The Era Sezhiyan Committee went a step further and recommended incentives and disincentives to the Development Officers on the basis, not of premium procured, but on the basis of

active, stable agencies created. This very important recommendation of the Era Sezhiyan Committee has been totally ignored by the framers of the Bill.

A growing and expanding productive Agency Force is a pre-requisite of expansion and growth of business, and the creation of this force is the responsibility of the Development Officers. In this connection, the Committee were informed that "Nobody comes to buy Insurance; Insurance is sold only when the L.I.C. Development Officer or Agent canvasses it."

The L.I.C. made a very big mistake by stopping the recruitment of Development Officers in 1972. In a period of ten years this decision led to the reduction of sales infra-structure by 30 per cent. The reduction in the sales force is perceptible in the following observation of the Era Sezhiyan Committee. It was observed that the percentage of household savings going into LIC was 11 per cent in 1970-71 only 7.4 per cent in 1976-77. The Committee were also informed during evidence that there might have been considerable loss of business due to the reduction in the strength of the Development Officers. In this period of ten years, L.I.C. made bid to recruit direct career agents in urban and rural areas. The wrong policies of Government have put the L.I.C. in a very precarious position. The bulk of its Development Officers are in the age group of 45-55 years. The exit rate is very fast. This is apparent from the following facts.

In the beginning of 1981 L.I.C. had on its roll 6382 Development Officers. In 1981 and 82 it recruited 800 new Development Officers. In 1983 the number of Development Officers were reduced from 6382 to 6180, in spite of the 800 new Recruits. In the same period 100 Development Officers went out of service. The more alarming aspect is that these new Development Officers are not youngmen in their twenties, but middle aged people in their forties recruited mostly from the office staff, and whose retirement age synchronizes with the existing Development Officers. According to Mr. M. M. Sadanah the spokesman of the Development Officers Federation, "The government after having decided to eliminate the class of the Development Officers, imposed upon them harsh and impractical conditions with the object of hastening their exit." According to him, the service conditions "have made the job contractual and created total insecurity in the existing field Force."

It was Mr. Sadanah's contention that these service conditions make it incumbent on a Development Officer to produce premium four to five times his gross salary failing which he faces a drastic cut in salary and termination.

New, young educated recruits who could become the backbone of the Industry and ensure its stable growth need at least seven to eight years to acquire experience and develop the basic organisation from which they can expand their operations. According to prevalent service conditions they will be required to conform to the present work-norm from the first year and cannot survive.

We feel that a complete review regarding the service conditions of Development Officers has to be made, with particular reference to the

constraints imposed by them in the way of recruitment of young fresh energetic candidates in the Urban and Rural areas.

Service to Consumers

While employee service conditions, recruitment policies and organisational structure are important, they are not an end in themselves. They are the means to an end, namely, the provision of better service, better policies and better returns to the state, and to the policy-holders. In the course of the Committee's hearings the voice of the unorganised policy-holders was heard time and again in the form of numerous suggestions that could provide a better deal to the present and future policy-holders. Some of these suggestions are valuable and deserve careful consideration. These include the following:—

A. Policy Holders Advisory Council: It was suggested that councils be created at the branch division and corporation level on which policy-holders could be elected by postal ballot. Such a body could be statutorily created for the purpose of taking up problems of L.I.C. policy-holders with the management across the table. This idea has been accepted by the majority only partially by including clause 13(4) in the Bill. However, we feel that this clause is inadequate and incomplete. It must be made mandatory to constitute Policy-holders Advisory Committees at the branch, division and corporation level. The mode of representation of policy-holders on such committees as also the function and powers of such committees are not defined giving ample scope for management of the new corporations to render such committees almost ineffective.

There must be a democratic way to select policy-holders' representatives at the branch level and this could be done through postal ballot every four years. All policy-holders representatives at the Branch level could form an electoral college for the division level and these at the division levels would form an electoral college at the corporation level. Some members of the corporation Policy-holders Committees could be nominated by the Central Government on the corporations executive committee as well as the Life Insurance Board. There is no reason why policy-holders cannot have a representative in the management of the corporation and the board. After all, it is the policy-holders money which is managed by these bodies. Must we stop economic democracy from entering our economic institutions?

B. Annuity certain business: The expression Annuity certain Business in clause 9 sub-clause 2(a) of the Bill must be excluded. "Annuity certain" popularly known as "Time Annuity", are not connected with human life. It is a pure investment return proposition for a certain period of time. Life annuities, that is, annuities dependent upon and related to human life only can legitimately be considered life insurance business. World over Time Annuities are being offered by financial institutions, Banks, Pension Funds and other Trusts and mutual societies.

In the Indian context, annuity offered by Life Insurance Corporation to the annuity is just confiscatory and expropriatory since it gives the

annuity which is less than the interest on their deposit offered by the Banks or the Government companies to the depositors, while the principal amount of deposit remains intact. In case of annuity by L.I.C., the annuitant not only receives less income than the interest but also as aforesaid, he loses his capital completely as purchase price for annuity. In fact there is need also for making corresponding changes in the Income tax Rules governing the approval of the Superannuation Funds.

C. Rating and Mortality Committees: Representatives of consumer organisations pleaded for the setting up of statutory committees for deciding different premia rates, surrender and paid up values, as well as a Mortality Tables Committee to revise and review the mortality tables periodically. There is considerable merit in these proposals.

Clause 17 should specifically provide for a Rating Committee and Mortality Committee. Rating Committee should deal with introduction and revision of new plans and policies to suit the changing needs of the people in the country, more particularly, people with inadequate means and uncertain income. Mortality Committee should periodically review the mortality experience. Both the Committees should have a say in the review and weightage of three relevant factors: mortality, yield and expense ratio for determination and revision of the Insurance premium for all plans and policies at periodical intervals.

D. Insurance Disputes Tribunals: Pleas made before us to widen the the scope of tribunals proposed in Chapter VI of the Bill have been completely ignored. These tribunals are confined to matters concerning maturity or death claims only. The scope of these tribunals should be broadened to cover all matters connected with life insurance business, including wrongful rejection of insurance proposals, terms offered, rejection of loan applications etc. Therefore, in Chapter VI clauses 22 to 30, Chapter VII clauses 35 to 38 and clauses 56, 60 and 65 the expressions "Claims Tribunal" and "Appellate Claims Tribunal" should be substituted by "Insurance Tribunal" and "Appellate Insurance Tribunal" respectively.

Since Life Insurance happens to be a monopoly business, even if these are competing five Corporations, choice will still be limited. It is essential that the policy-holders and the proposers should have a quick and inexpensive remedy. Litigation before the Civil Courts is time consuming and expensive and not within the reach of ordinary policy-holder or a proposer. Even disputes like rejection of proposal form by the Corporation may go outside the jurisdiction of the Civil Courts.

E. Independent Actuaries: Corporation must use the services of independent actuaries under clause 42 of the Bill. Clause 42 should be amended to provide for actuarial reports by team of independent Actuaries.

With a view to protect the interests of the policy-holders, such a practice is followed in other countries of the world.

F. Allocation of Surplus: Presently the Bill calls upon each Corporation to allocate 95 per cent of the surplus to the policy-holders and rest to the Government. Nothing is provided to subsidise rates of premia

offered to low income citizens. We feel that the expression 95 per cent should be substituted by "97½ per cent", in clause 44 of the Bill and a proviso be added as follows:

"Provided that the 2½ per cent of the surplus shall be spent by the Corporation towards the development of Life Insurance for the low income group people in the country by way of subsidy, promotional efforts or otherwise."

G. Pattern of Investment: The consumers representatives posed a very pertinent issue that LIC could not provide inflation linked insurance policies due to low yields on investments of the LIC. As long as yields would not go up, policy holders could not be offered remunerative policies. A mix of one-third and two-third for socially beneficial low-yield investments and commercially viable high yield investments respectively, we feel, would help. In any case the permissible pattern of investment should be at least similar to the pattern applicable to Provident Funds, Superannuation, gratuity and other similar trust funds for the time being in force.

H. Liberalisation of Postal Life Insurance Scheme: LIC today has about 1000 branches all over the country while there are 1,35,000 post offices. Postal Life Insurance today has lower premium rates and higher bonuses, but it is restricted to Government, semi-government, University and similar employees only. With a view to provide easy access to life insurance to people of inadequate means in far distant places, it is essential that P.L.I. be liberalised to cover all people in the country and that they should be directed to introduce term insurance plans, such as, individual, Group, level premium and guaranteed renewable term insurance plans and policies. Provision could have been made in this Bill in this direction.

Conclusion

To sum up the problem in respect of life insurance is not the size of the L.I.C., it is lack of autonomy, and over-centralisation. This Bill solves neither of these problems. In fact, if this Bill becomes law, L.I.C. would be further bureaucratised, and its autonomy completely decimated.

This Bill will satisfy no one. As is clear from the evidence, employees, by and large, are resolutely opposed to it. The greater tragedy is that the policy-holder too, in whose name, government is eager to ride rough over the wishes of the employees, see little merit in the Bill.

We find ourselves unable, therefore, to agree with the majority report. Hence this Minute of Dissent.

SATISH AGRAWAL

LAL K. ADVANI

NEW DELHI;

August 9, 1984

Shravana 18, 1906 (S)

V

(Original in Hindi)

While expressing our views against the bifurcation of L.I.C. and creating five independent units thereof, we have submitted that it should be withdrawn. We have also submitted that with a view to deliver the benefits of the life insurance industry to the rural areas and to decentralise the same; the former Act may be so amended that this industry could prove to be more beneficial and attractive to the rural areas. What was the laxity in decentralising the same, who is at fault, what was the laxity in its propaganda and publicity, who is at fault? I have expressed my opinion on this also. The views of the departmental employees and officers have also been received as to how far publicity and propaganda is beneficial. The evidence of the experts and employees makes it clear that the bifurcation will not be in the public interest and will benefit a few only giving them luxurious life. There is no possibility of achieving the objectives or successes for which this Bill has been brought forward. The question of clause-by-clause amendments does not arise, because totally opposed to the bifurcation.

I request that my opposition and the views expressed by me may be indicated in the same form in the report of the Joint Committee. The views of the witnesses may also be indicated in the report, so that their correct views and opinions could be placed before the House at the time of its presentation.

RAM LAL RAHI

NEW DELHI;

August 9, 1984

Sravana 18, 1906 (S)

THE LIFE INSURANCE CORPORATIONS BILL, 1983

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CLAUSES

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THE FIRST SCHEDULE.

THE SECOND SCHEDULE.

BILL NO. 109-B OF 1983

THE LIFE INSURANCE CORPORATIONS BILL, 1983

(AS REPORTED BY THE JOINT COMMITTEE)

[Words underlined or sidelined indicate the amendments suggested by the Committee; asterisks indicate omissions.]

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BILL

to provide, with a view to the more effective realisation of the objectives of nationalisation of life insurance business, for the dissolution of the Life Insurance Corporation of India and for the establishment of a number of corporations for the more efficient carrying on of the said business and for matters connected therewith or incidental thereto.

31 of 1956. WHEREAS the nationalisation of life insurance business in India was made by the Life Insurance Corporation Act, 1956 by transferring all such business to the Life Insurance Corporation of India established under section 3 of that Act;

AND WHEREAS for the more effective realisation of the objectives of such nationalisation, it is necessary to dissolve the said Corporation and establish, in its place, a number of corporations for the more efficient carrying on of the said business;

BE it enacted by Parliament in the Thirty-fifth Year of the Republic of India as follows:—

CHAPTER I

PRELIMINARY

1. (1) This Act may be called the Life Insurance Corporations Act, 1984.

(2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

Short title
and com-
mence-
ment.

Definitions.

2. In this Act, unless the context otherwise requires,—

(a) "Appellate Claims Tribunal" means the Appellate Claims Tribunal constituted under section 27;

(b) "appointed day" means the date on which this Act comes into force;

(c) "Board" means the Life Insurance Board constituted under section 15;

(d) "Claims Tribunal" means a Claims Tribunal constituted under section 22;

(e) "Corporation" means a Life Insurance Corporation established under sub-section (1) of section 4;

(f) "dissolved Corporation" means the Life Insurance Corporation of India which shall stand dissolved by virtue of section 3;

(g) "Insurance Act" means the Insurance Act, 1938;

4 of 1938.

(h) "Life Insurance Act" means the Life Insurance Corporation Act, 1956;

31 of 1956.

(i) "notification" means a notification published in the Official Gazette;

(j) "policy of life insurance" means a contract of insurance upon human life and includes any other contract, the business of effecting whereof constitutes life insurance business in accordance with the provisions of clause (11) of section 2 of the Insurance Act;

(k) "prescribed" means prescribed by rules made under this Act;

(l) "Service Matters Tribunal" means a Service Matters Tribunal constituted under section 31;

(m) words and expressions used in this Act but not defined herein and defined in the Insurance Act shall have the meanings respectively assigned to them in the Insurance Act.

**Dissolution
of Life
Insurance
Corporation
of India
and
repeal.**

3. (1) On the appointed day, subject to the other provisions of this Act, the Life Insurance Corporation of India established under section 3 of the Life Insurance Act shall stand dissolved and the said Act shall stand repealed.

(2) The capital provided to the dissolved Corporation by the Central Government, and the officers, other employees and insurance agents of, and the assets, rights and liabilities of, the dissolved Corporation immediately before the appointed day, and all other matters relating to the said Corporation, shall be dealt with in accordance with the provisions of the First Schedule.

CHAPTER II

ESTABLISHMENT OF LIFE INSURANCE CORPORATIONS AND THEIR CAPITAL

**Establish-
ment of Life
Insurance
Corpora-
tions.**

4. (1) There shall be established with effect from the appointed day, the following Life Insurance Corporations, namely:—

(i) the Central Life Insurance Corporation of India, with its Head Office at Kanpur;

(ii) the Eastern Life Insurance Corporation of India, with its Head Office at Calcutta;

(iii) the Northern Life Insurance Corporation of India, with its Head Office at Delhi;

(iv) the Southern Life Insurance Corporation of India, with its Head Office at Madras;

(v) the Western Life Insurance Corporation of India, with its Head Office at Bombay.

(2) Each Corporation shall be a body corporate having perpetual succession and a common seal with power, subject to the provisions of this Act, to acquire, hold and dispose of property, and to contract, and may by its name sue and be sued.

5. (1) The authorised capital of each Corporation shall be rupees five crores. Capital.

(2) The sum of rupees one crore which, by virtue of paragraph 2 of the First Schedule, becomes transferred to each Corporation shall be deemed to be the paid-up capital provided to such Corporation by the Central Government.

(3) The Central Government may, on the recommendation of a Corporation, increase or reduce the paid-up capital of such Corporation to such extent and in such manner as that Government may determine, so, however, that the amount of the paid-up capital shall not be so increased as to exceed the authorised capital thereof.

6. (1) Each Corporation shall consist of such number of members, not exceeding sixteen, as the Central Government may think fit to appoint thereto, from amongst such categories of persons as possess one or more of the prescribed qualifications, and one of them shall be appointed by the Central Government to be the Chairman thereof.

Constitution of Corporations.

(2) Before appointing a person to be a member of a Corporation, the Central Government shall satisfy itself that such person will have no such financial or other interest as is likely to affect prejudicially the exercise or performance by him of his functions as a member of that Corporation, and the Central Government shall also satisfy itself, from time to time, with respect to every member of a Corporation that he has no such interest; and any person who is, or whom the Central Government proposes to appoint as, and who has consented to be, a member of a Corporation shall, whenever required by the Central Government so to do, furnish to it such information as that Government may consider necessary for the performance of its duties under this sub-section.

(3) A member of a Corporation who is in any way directly or indirectly interested in a contract made or proposed to be made by that Corporation shall, as soon as possible after the relevant circumstances have come to his knowledge, disclose the nature of his interest in the contract to the Corporation; and such member shall not take part in any deliberation or discussion of the Corporation with respect to that contract.

(4) It is hereby declared that for the purposes of sub-section (1), any person holding the office of an Executive Director of a Corporation may be appointed as a member of such Corporation and on such appointment, such person shall function as a member of the Corporation in addition to his duties as an Executive Director.

Term of
office and
conditions
of service
of Chair-
man and
other
members.

7. (1) The Chairman and other members of a Corporation (except where any person is appointed as an *ex officio* member thereof) shall hold office for such term * * * as may be prescribed, and shall be eligible for reappointment for a like term.

(2) A casual vacancy arising from the death, resignation or otherwise of a member of a Corporation may be filled up by the fresh appointment of a person as a member of the Corporation and the person so appointed to fill the vacancy shall hold office for the remainder of the term of office of the member in whose place he is appointed.

(3) If the Chairman or any other member of a Corporation is, for infirmity or otherwise, incapable of carrying out his duties or is absent on leave, the Central Government may appoint another person to act in his place for the period during which such Chairman or other member is unable to carry out his duties or is absent on leave.

(4) The Chairman of a Corporation shall be entitled to receive such salary and allowances, and shall be subject to such conditions of service in respect of leave, pension, provident fund and other matters, as may be prescribed, and the other members of a Corporation shall be entitled to such allowances as may be prescribed.

Disqualifi-
cations
and re-
moval.

8. (1) No person shall be eligible to be appointed, or to continue, as a member of a Corporation, or of the Board, who—

(a) is, or at any time has been, adjudicated as insolvent or has suspended payment of his debts or has compromised with his creditors; or

(b) is of unsound mind and stands so declared by a competent court, or

(c) is, or has been, convicted of an offence which, in the opinion of the Central Government, involves moral turpitude, or

(d) is, or at any time has been, convicted of an offence under this Act, or

(e) has so abused, in the opinion of the Central Government, his position as a member of the Corporation, or of the Board, as to render his continuance as such member, detrimental to the interests of the Corporation, or of the Board, as the case may be.

(2) The Central Government shall, by order in writing, remove from office any member of a Corporation or of the Board who is, or has become, subject to any disqualification specified in sub-section (1):

Provided that no such removal shall be made unless the member concerned has been given a reasonable opportunity of showing cause against the proposed action.

(3) Notwithstanding anything contained in sub-section (1), or sub-section (2),—

(a) the Central Government may terminate the appointment of the Chairman of a Corporation or any member appointed by it, after giving him notice in writing for not less than three months or by giving him three months' salary, where payable, in lieu of such notice, without assigning any reason;

(b) the Chairman of a Corporation may resign his office by giving notice to the Central Government in writing of not less than three months without assigning any reason.

CHAPTER III

FUNCTIONS OF LIFE INSURANCE CORPORATIONS

9. (1) Subject to the rules, if any, made by the Central Government in this behalf, and the other provisions of this Act, it shall be the general duty of each Corporation to carry on life insurance business, whether in or outside India, and each such Corporation, shall—

Functions
of each
Corpora-
tion.

(a) be primarily responsible for the intensive development of life insurance business within the Zone, and, in particular, in the Divisions within the Zone, specified, or deemed to be specified, in the corresponding entries against its name in the Second Schedule; and

(b) so exercise its powers under this Act as to secure that life insurance business is developed to the best advantage of the community.

Explanation I.—For the purposes of this sub-section, and of section 11, "Zone" means a Zone specified in the Life Insurance Corporation Regulations, 1959, as in force immediately before the appointed day, and "Division" means a Division specified against a Zone in the corresponding entry in column III of the Second Schedule, and includes such other Division as may be established, within a Zone, after the appointed day, and on such establishment, such Division shall be deemed to be included in the corresponding entry in column III of the Second Schedule.

Explanation II.—The territorial limits of each Division specified in column III of the Second Schedule shall, until they are duly altered under this Act, be such as were specified, immediately before the appointed day, by the dissolved Corporation, and the territorial limits of any Division established after the appointed day shall be such as may be specified by the concerned Corporation.

(2) Without prejudice to the generality of the foregoing provisions of this section, but subject to the other provisions of this Act, each Corporation shall have power—

(a) to carry on capital redemption business, annuity certain business or reinsurance business in so far as such reinsurance business appertains to life insurance business;

(b) subject to the rules, if any, made by the Central Government in this behalf, to invest the funds of the Corporation in such manner as the Corporation may think fit and to take all such steps as may be necessary or expedient for the protection or realisation of any investment, including the taking over of, and administering, any property offered as security for the investment until a suitable opportunity arises for its disposal;

(c) to acquire, hold and dispose of any property for the purpose of its business;

(d) to transfer the whole or any part of the life insurance business carried on by it outside India to any other person or persons, if in the interest of the Corporation it is expedient so to do;

(e) to advance or lend money upon the security of any movable or immovable property or otherwise;

(f) to borrow or raise any money in such manner and upon such security as the Corporation may think fit;

(g) to carry on any other business in any case where such other business was being carried on, immediately before the appointed day, by the dissolved Corporation;

(h) to carry on, with the prior approval of the Central Government, any other business which may seem to the Corporation to be capable of being conveniently carried on in connection with its business and calculated directly or indirectly to render profitable the business of the Corporation;

(i) to do all such things as may be incidental, or conducive, to the proper exercise of any of the powers of the Corporation.

(3) In the discharge of any of its functions, each Corporation shall act, so far as may be, on business principles.

(4) Each Corporation shall, in the discharge of its functions under this Act, be guided by such directions in matters of policy involving public interest as the Central Government may give to it in writing; and if any question arises whether a direction relates to a matter of policy involving public interest, the decision of the Central Government thereon shall be final.

Power to
impose
conditions,
etc.

10. (1) In entering into any arrangement with any concern, a Corporation may impose such conditions as it may think necessary or expedient for protecting the interest of that Corporation and for ensuring that the accommodation granted by it is put to the best use by the concern.

(2) Where any arrangement entered into by a Corporation with any concern provides for the appointment by that Corporation of one or more directors of such concern, such provision and any appointment of directors made in pursuance thereof shall be valid and effective notwithstanding anything to the contrary contained in the Companies Act, 1956, or in any other law for the time being in force or in the memorandum, articles of association or any other instrument relating to the concern, and any provision regarding share qualification, age limit, number of directorships, removal from office of directors and such like conditions contained in any such law or instrument, shall not apply to any director appointed by the Corporation in pursuance of the arrangement as aforesaid.

1 of 1956.

(3) Any director appointed as aforesaid,—

(a) shall hold office during the pleasure of the Corporation by which he was so appointed and may be removed, or substituted by any other person, by order in writing by that Corporation;

(b) shall not incur any obligation or liability by reason only of his being a director or for anything done or omitted to be done in good faith in the discharge of his duties as a director or for anything done in relation thereto;

(c) shall not be liable to retirement by rotation and the existence of such director shall not be taken into account while computing the number of directors liable to such retirement.

CHAPTER IV

MANAGEMENT

11. (1) The Head Office of each Corporation shall be at the place specified in relation to it in section 4.

Head Office
and other of
offices
each Cor-
poration.

(2) Each Corporation may establish as many Divisional Offices, Branches and other offices within the Zone specified against its name in the Second Schedule as it may think fit:

Provided that a Corporation may establish, with the previous approval of the Central Government, any Divisional Office, Branch Office or other office at any place outside the Zone specified against it in the Second Schedule.

12. (1) The Chairman of a Corporation shall be the Managing Director thereof and shall, subject to such general or special directions as the Corporation or the Executive Committee constituted under sub-section (1) of section 13, may from time to time give, exercise all such powers as may be exercised, and do all such acts and things as may be done, by the Corporation.

Chairman
to be the
Managing
Director.

(2) The Chairman of a Corporation shall be the President of each Committee of the Corporation constituted under section 13 and shall, in his capacity as the Managing Director of the Corporation, carry out the advice of the Investment Committee, constituted under sub-section (2) of section 13, in regard to investments of the funds of the Corporation:

Provided that it shall be open to the Chairman to reserve the question of any such advice on any particular item, for consideration by the Corporation.

13. (1) Each Corporation may constitute an Executive Committee consisting of its Chairman and not more than six and not less than four of its other members and may entrust to that Committee the general superintendence and the direction of the affairs and business of the Corporation and the Executive Committee so constituted may exercise all the powers and do all such acts and things, as may be delegated to it by the Corporation by which it is constituted.

Power of
each Cor-
poration to
constitute
Committees.

(2) Each Corporation may also constitute an Investment Committee for the purpose of advising it in matters relating to the investment of its funds, and the Investment Committee shall consist of the Chairman of the Corporation and not more than eight and not less than six other members of whom not less than four shall be members of that Corporation and the remaining members shall be persons (whether members of that Corporation or not) who have special knowledge of, and experience in, financial matters, particularly matters relating to investment of funds.

(3) Each Corporation may constitute such other Committees as it may think fit for the purpose of discharging such of its functions as may be delegated to them.

(4) Each Corporation may also constitute such number of Policy-holders' Advisory Committees as it may think fit.

(5) The members of a Committee constituted under this section, other than the members of the concerned Corporation, shall be paid such fees and allowances as may be prescribed, for attending its meetings and for any other work of the Corporation.

(6) A Committee to which any powers or functions are delegated under this section by any Corporation shall exercise those powers or discharge those functions in the same manner and with the same effect as if they had been conferred on such Committee directly by this Act and not by way of delegation.

Power to
appoint
Executive
Directors,
etc.

14. (1) Each Corporation may, with the approval of the Central Government, appoint one or more persons to be the Executive Directors of the Corporation, and every Executive Director so appointed shall be a whole-time officer of the Corporation.

(2) Every Executive Director shall exercise such powers and perform such duties, as may be entrusted or delegated to him by the Executive Committee or the Corporation.

(3) Subject to the rules, if any, made by the Central Government in this behalf, each Corporation may also employ a Secretary and such number of other officers and employees as may be necessary for the purpose of enabling it to discharge its functions under this Act.

(4) The terms and conditions of service of the Executive Directors, Secretary and other officers and employees of a Corporation shall be such as may be prescribed.

(5) Every person employed by a Corporation or whose services have been transferred to a Corporation under this Act, shall be liable to serve anywhere in India.

(6) Any Executive Director to whom any powers and duties are delegated by any Corporation or Executive Committee thereof, shall exercise those powers or perform those duties in the same manner and with the same effect, as if they had been conferred on such Executive Director directly by this Act and not by way of delegation.

CHAPTER V

THE LIFE INSURANCE BOARD

Constitu-
tion of the
Life
Insurance
Board.

15. (1) The Central Government may, by notification, constitute a Board, to be called the Life Insurance Board, consisting of—

(a) the Chairman of each Corporation, *ex officio*, and

(b) such number of other members, not exceeding eleven, as the Central Government may think fit to appoint thereto.

(2) The office of the Board shall be at New Delhi.

(3) One of the members of the Board shall be appointed by the Central Government to be the Chairman thereof.

(4) Before appointing a person to be a member of the Board, the Central Government shall satisfy itself that such person will have no such financial or other interest as is likely to affect prejudicially the exercise or performance by him of his functions as a member thereof,

and the Central Government shall also satisfy itself, from time to time, with respect to every member of the Board that he has no such interest, and any person who is, or whom the Central Government proposes to appoint as, and who has consented to be, a member of the Board shall, whenever required by the Central Government so to do, furnish to it such information as the Central Government may consider necessary for the performance of its duties under this sub-section.

(5) A member of the Board who is in any way directly or indirectly interested in a contract made or proposed to be made by any one or more of the Corporation shall, as soon as possible after the relevant circumstances have come to his knowledge, disclose the nature of his interest in the contract to the Board and the Central Government and such member shall not take part in any deliberation or discussion of the Board with respect to that contract.

16. (1) A member of the Board, other than an *ex officio* member thereof, shall hold office for such term * * * as may be prescribed and shall be eligible for reappointment for a like term.

Conditions
of service
of mem-
bers of
the Board.

(2) Notwithstanding anything contained in sub-section (1),—

(a) the Central Government may terminate the appointment of a member of the Board (other than an *ex officio* member) at any time before the expiry of the term of office fixed under sub-section (1) by giving him a notice in writing of not less than three months, and

(b) every such member (other than an *ex officio* member) may resign his membership of the Board at any time before the expiry of the term of his office by giving to the Central Government a notice in writing of not less than three months.

(3) A casual vacancy arising from the death, resignation or otherwise of a member of the Board may be filled by fresh appointment and the person appointed to fill the vacancy shall hold office for the remainder of the term of office of the member in whose place he is appointed.

(4) If the Chairman or any other member of the Board, is, for infirmity or otherwise, incapable of carrying out his duties or is absent on leave, the Central Government may appoint another person to act in his place for the period during which such Chairman or other member of the Board is unable to carry out his duties or is absent on leave.

(5) A person appointed as a whole-time member of the Board shall be entitled to receive such salary and allowances, and shall be subject to such conditions of service in relation to leave, pension, provident fund and other matters as may be prescribed, and a person appointed as a part-time member of the Board shall be entitled to such allowances and shall be subject to such other conditions of service as may be determined by the Central Government.

17. (1) The Board may constitute as many Committees consisting wholly of members of the Board or wholly of other persons or partly of members of the Board and partly of other persons and for such purposes as it may deem fit.

Committee
of the
Board.

(2) The members of a Committee (other than the members of a Corporation or of the Board) shall be paid such fees and allowances as may be prescribed, for attending its meetings and for attending to any other work of the Board.

**Meetings
of the
Board.**

18. (1) For the purposes of this Act, the Board or any Committee of the Board shall meet at such times and places and shall observe such rules of procedure in regard to the transaction of business at its meetings as may be prescribed.

(2) Notwithstanding anything contained in sub-section (1), a member of the Board who has any direct or indirect pecuniary interest in any matter [other than a contract referred to in sub-section (5) of section 15], coming up for consideration at a meeting of the Board or a Committee thereof shall, as soon as possible after the relevant circumstances have come to his knowledge, disclose the nature of his interest in respect of that matter at such meeting; and such member shall not take part in any deliberation or discussion of the Board or the Committee with respect to that matter.

**Secretary
and other
staff of the
Board.**

19. (1) The Board may appoint a Secretary and such other officers and employees as may be necessary for the performance of its functions.

(2) The terms and conditions of service of the Secretary and other officers and employees of the Board shall be such as may be prescribed.

**Functions
of the
Board.**

20. (1) Subject to the other provisions of this Act and the rules made thereunder, the Board shall, from time to time, review the functioning of each of the Corporations and render such service to any Corporation as it may deem fit for the promotion of such measures as are, in its opinion, conducive to the development of life insurance business.

(2) In particular and without prejudice to the generality of the foregoing provisions, the Board may—

(a) suggest measures for co-ordinating the working of the Corporations;

(b) plan and organise training of—

(i) persons included in the management cadres and lay down norms for training of various persons in various other cadres, and

(ii) insurance agents;

(c) inspect at all reasonable times the offices of any Corporation;

(d) provide for research and evaluation of life insurance schemes;

(e) provide assistance and guidance in relation to the following, namely:—

(i) mortality and actuarial investigation on all-India basis in respect of assured lives, annuitants, impaired lives, lives covered under group insurance and pension schemes and fixation of underwriting standards;

(ii) research and development of new plans for intensive development of life insurance business and for meeting specific insurance needs of various sections of the community;

(iii) co-ordinating the activities in the matter of conducting periodical actuarial evaluations;

(f) review procedures and practices in the working of the Corporations at all levels;

(g) perform such other functions as may be prescribed.

21. (1) The Central Government may, from time to time, by general or special order and subject to any rules that may be made in this behalf, direct each Corporation, having regard to the premium income of that Corporation and other relevant considerations, to pay to the Board such amount as it may determine for meeting the expenditure of the Board.

Finances
of the
Board.

(2) If any default is made by any Corporation in making payment to the Board of the whole or any part of the amount determined by the Central Government under sub-section (1), such amount shall be recoverable in the same manner and to the same extent as if it were a decree passed by the civil court within the local limits of whose jurisdiction the Head Office of that Corporation is situated.

CHAPTER VI

CONSTITUTION OF TRIBUNALS

22. (1) The Central Government shall, as soon as may be after the appointed day, by notification, constitute as many Claims Tribunals as it may deem necessary for deciding disputes with respect to claims under policies of life insurance.

Power
of Central
Govern-
ment to
constitute
Claims
Tribunals.

(2) Each Claims Tribunal shall consist of one member, or where the Central Government is of opinion that such Tribunal shall consist of more than one member, such number of members, not being less than three, as the Central Government may think fit to appoint.

(3) Where a Claim Tribunal consists of one member, that member shall be a person who is holding, or has held, for not less than seven years, a judicial office in the territory of India or is, or has been, a member of Indian Legal Service, and is holding, or has held, a post not below a post in Grade II of that Service, and where the Claims Tribunal consists of more than one member, not less than one of the members of such Tribunal shall be a person qualified as aforesaid, and the remaining member or members shall be appointed from amongst serving officers of a rank not below that of a Director to the Government of India or of an equivalent rank under a State Government or an insurance corporation or the Board.

(4) Where the number of members of a Claims Tribunal is more than one, the Central Government shall appoint one of those members to be the President of that Tribunal, who shall preside over the meetings of that Tribunal, and in the absence of the President, the seniormost member of the the Tribunal shall preside over its meetings. . . .

Explanation I.—For the purposes of this section and of sections 27 and 31, “insurance corporation” means—

(a) the dissolved Corporation;

(b) a Corporation established under this Act.

(c) the General Insurance Corporation formed under the General Insurance Business (Nationalisation) Act, 1972, or any of its subsidiaries.

57 of 1972.

Explanation II.—In computing, for the purposes of this section and of sections 27 and 31, the period during which a person has held judicial office in the territory of India, there shall be included any period, after he has held any judicial office, during which the person has been practising as an advocate or has held the office of a member of a tribunal or any post under the Union or a State, requiring special knowledge of law.

(5) Any vacancy in the membership of a Claims Tribunal shall be filled up by the Central Government as soon as practicable.

Territorial
limits of
the juris-
diction of a
Claims
Tribunal.

23. (1) The Central Government shall, from time to time, define, by notification, the territorial limits within which a Claims Tribunal shall exercise its jurisdiction and where two or more Claims Tribunals have jurisdiction over the same territorial limits, the Central Government shall also provide, by notification, the distribution or allocation of work to be done by each of them.

(2) Each Claims Tribunal shall have jurisdiction to decide all disputes with respect of maturity claims or death claims under policies of life insurance, arising within the territorial limits of its jurisdiction.

(3) Where a claimant has more than one maturity claim or death claim under policies of life insurance, he shall, while making any claim before a Claims Tribunal, include, in the application made by him under section 24, all the claims which he is entitled to make before such Tribunal:

Provided that he may, if he so desires, relinquish any portion of his claim

Explanation.—For the purposes of this sub-section, "maturity claim" means a claim under a policy of life insurance in relation to which there is no doubt or dispute as to the compliance of all the terms and conditions of such policy of life insurance, including the payment of all premia payable thereunder.

(4) If the claimant fails or omits to include, in the application made by him under section 24, all his claims or relinquishes any portion of his claim, he shall not be entitled thereafter to make any application relating to any claim which he has so omitted to include in the application aforesaid or which he has so relinquished, and where any application under section 24 has been adjudicated upon by the Claims Tribunal or the Appellate Claims Tribunal, the claimant shall be debarred from instituting any suit or other legal proceeding in relation to any claim which he has failed or omitted to include in such application or which has been so relinquished by him.

(5) Where a claimant has made claims before different Claims Tribunals, having jurisdiction, he may apply to any of the said Tribunals to make an order, so that all the claims made by him may be heard by a single Tribunal, and thereupon the Tribunal in which such application is made may by order determine which of the said Tribunals shall deal with all the claims and transfer to such Tribunal the claims pending with the other Tribunals and the Tribunal to which the claims

are so transferred shall deal with each such claim from the stage which was reached before the Tribunal from which the claim has been so transferred.

24. (1) Any person aggrieved by—

Applica-
tions to
Claims
Tribunals.

(a) the decision of a Corporation rejecting the whole or any part of the maturity claim or death claim made by him under any policy of life insurance, or

(b) the omission or failure of a Corporation to give its decision, within six months from the date of the application, on the whole or any part of the maturity claim or death claim made by him under any policy of life insurance,

may make an application to the Claims Tribunal having jurisdiction for the determination of his claim and for the grant of such relief as the Tribunal may think fit.

(2) Every application made under sub-section (1) shall be made in such form, be verified in such manner, and be accompanied by such fee, not exceeding five hundred rupees, as may be prescribed on a graded scale depending on the value of the claim.

(3) An application, under sub-section (1), for the determination of a claim shall be made,—

(a) in the case of a decision referred to in clause (a) of that sub-section, within a period of ninety days from the date on which the decision of the Corporation rejecting the claim, whether in whole or in part, was communicated to the applicant;

(b) in the case of any omission or failure referred to in clause (b) of that sub-section, within a period of ninety days computed from the date on which the said period of six months expires:

Provided that the Claims Tribunal may admit any such application after the expiry of the said period of ninety days if it is satisfied that the applicant was prevented by sufficient cause from making the application within the said period.

(4) Any person referred to in sub-section (1) may, instead of making an application to a Claims Tribunal under sub-section (1), institute a suit or commence any other legal proceeding in a civil court having jurisdiction for the recovery of any amount due in respect of a maturity claim or death claim under any policy of life insurance or for any other relief in relation to such claim, and where any such suit or other legal proceeding is instituted or commenced, no Claims Tribunal shall have jurisdiction to entertain any application in relation to the maturity claim or death claim under any policy of life insurance in relation to which such suit or other legal proceeding has been instituted or commenced, unless such suit or other legal proceeding is withdrawn, within the period specified in sub-section (3), by the person by whom it was instituted or commenced or, if he has died before the expiry of the said period by his legal representative.

(5) Where a suit or other legal proceeding referred to in sub-section (4) is withdrawn within the period specified in sub-section (3), the aggrieved person may make, within the said period, an application under sub-section (1) to the Claims Tribunal having jurisdiction for the deter-

mination of his claim and for the grant of such relief as the Tribunal may deem fit and on such application being made, the Tribunal shall have jurisdiction to deal with the matter.

(6) No suit or other legal proceeding shall lie in a civil court in respect of any matter which is pending before, or which has been decided by, a Claims Tribunal or the Appellate Claims Tribunal.

**Benches
of Claims
Tribunal.**

25. The powers and functions of a Claims Tribunal may be exercised and discharged by Benches constituted by the President of that Tribunal, from amongst the members thereof:

Provided that the President of the Claims Tribunal, or any other member of such Tribunal authorised in this behalf by the President of that Tribunal, may, sitting singly, dispose of any claim which has been allotted to a Bench of which he is a member, where the amount of the claim does not exceed twenty-five thousand rupees.

**Orders
of Claims
Tribunal.**

26. (1) A Claims Tribunal may, after giving the parties to the application an opportunity of being heard, pass such orders thereon as it may think fit, confirming, modifying or annulling the decision or order against which such application has been made or may remand the case to the Corporation by which such decision or order was made, with such directions as the Claims Tribunal may think fit, for fresh adjudication or decision as the case may be, of the claim, after taking additional evidence, if necessary, or may grant such relief as may be just and proper in the circumstances of the case.

(2) A Claims Tribunal shall send a copy of every order passed by it under sub-section (1), to the parties to the application.

(3) An order passed by the Claims Tribunal under sub-section (1) shall, subject to the decision of the Appellate Claims Tribunal, if any, be final.

**Power of
Central
Govern-
ment to
constitute
an Appel-
late Claims
Tribunal.**

27. (1) The Central Government shall, as soon as may be after the appointed day, by notification, constitute an Appellate Tribunal, to be called the Appellate Claims Tribunal, consisting of as many judicial and technical members, not being less than three, as it may think fit, for deciding appeals preferred under section 28.

(2) A judicial member of an Appellate Claims Tribunal shall be a person who has, for not less than ten years, held a judicial office in the territory of India or is, or has been, a member of the Indian Legal Service, and is holding, or has held, for not less than three years, a post not below a post in Grade I of that Service; and a technical member of an Appellate Claims Tribunal shall be a person who is or has been an officer of a rank not below that of a Joint Secretary to the Government of India, or of an equivalent rank under a State Government or an insurance corporation or the Board.

(3) The Central Government shall appoint one of the members of the Appellate Claims Tribunal to be the President thereof.

(4) The Central Government may appoint one or more members of the Appellate Claims Tribunal to be the Vice-President, or, as the case may be, Vice-Presidents, thereof.

(5) The Vice-President of the Appellate Claims Tribunal shall exercise such of the powers and perform such of the functions of the President of the Appellate Claims Tribunal as may be delegated to him by the President of that Tribunal by a general or special order in writing.

(6) Any vacancy in the membership of the Appellate Claims Tribunal shall be filled up by the Central Government as soon as practicable.

28. (1) Any person aggrieved by an order passed by a Claims Tribunal under sub-section (1) of section 26 may prefer an appeal to the Appellate Claims Tribunal against such order.

Appeals to
Appel-
late Claims
Tribunal.

(2) Every memorandum of appeal to the Appellate Claims Tribunal shall be in such form, be verified in such manner and be accompanied by such fee, not exceeding five hundred rupees, as may be prescribed on a graded scale depending on the value of the claim.

(3) Every appeal under this section shall be filed within sixty days from the date on which the order sought to be appealed against was communicated to the appellant:

Provided that the Appellate Claims Tribunal may admit an appeal after the expiry of the aforesaid period of sixty days if it is satisfied that the appellant was prevented by sufficient cause from preferring the appeal within the said period.

29. (1) The Appellate Claims Tribunal may, after giving the parties to the appeal a reasonable opportunity of being heard, pass such orders thereon as it may think fit, confirming, modifying or annulling the order appealed against or may remand the case to the Claims Tribunal which had passed such order, with such directions to the Claims Tribunal as the Appellate Claims Tribunal may think fit, for fresh adjudication of the claim, after taking additional evidence, if necessary.

Order
of the
Appellate
Claims
Tribunal.

(2) The Appellate Claims Tribunal shall send a copy of every order passed by it under sub-section (1), to the parties to the appeal.

(3) Every order passed under sub-section (1), other than an order remanding the case to the Claims Tribunal, shall be final and shall not be called in question in any court except by way of a petition under article 32, or article 136, or article 226, of the Constitution.

30. (1) The powers and functions of the Appellate Claims Tribunal may be exercised and discharged by Benches constituted by the President of the Appellate Claims Tribunal from amongst the members thereof:

Benches
of the
Appellate
Claims
Tribunal.

Provided that the President of the Appellate Claims Tribunal, or any other member of such Tribunal authorised in this behalf by the President of that Tribunal, may, sitting singly, dispose of any appeal which has been allotted to a Bench of which he is a member, where the claim involved in such appeal does not exceed fifty thousand rupees.

(2) Subject to the provisions of sub-section (1), and sub-section (3), a Bench shall consist of not less than one judicial member and not less than one technical member.

(3) Where, before or after the hearing of an appeal, a Bench whether consisting of a single member or more than one member, is satisfied that such appeal involves—

(a) a substantial question of law of general importance, or

(b) a question which is likely to affect the interests of any Corporation or the dissolved Corporation or the policy-holders generally.

It may either of its own motion or on the application of any of the parties, draw up a statement of the facts of the case and the point which, in its opinion, involves any such question and refer such appeal, together with such statement, to the President of the Appellate Claims Tribunal with a request to him to constitute a Special Bench for hearing the appeal, and on receipt of such reference, the President of the Appellate Claims Tribunal shall constitute a Special Bench, which shall consist of not less than three members, of whom not less than one shall be a judicial member and not less than one shall be a technical member.

(4) The Special Bench, after hearing the parties if they appear and desire to be heard, shall decide the appeal so referred to it, and shall transmit a copy of its order to the Bench by which the reference was made to it.

(5) The costs (if any) consequent on a reference for the decision of the Special Bench shall be the costs in the case.

Power of
Central
Govern-
ment to
constitute
Service
Matters
Tribunals.

31. (1) The Central Government shall, as soon as may be after the appointed day, by notification, constitute as many Service Matters Tribunals as it may deem necessary for dealing with the applications made under section 32 for the redressal of the grievances relating to service matters.

(2) A Service Matters Tribunal may consist of one member, or where the Central Government is of opinion that such Tribunal shall consist of more than one member, such number of members, not being less than three, as the Central Government may think fit to appoint.

(3) Where a Service Matters Tribunal consists of one member, that member shall be a person who is holding, or has held, for not less than seven years, a judicial office in the territory of India or is, or has been, a member of the Indian Legal Service, and is holding, or has held, a post not below a post in Grade II of that Service, and where the Service Matters Tribunal consists of more than one member, not less than one of the members of such Tribunal shall be a person who is qualified as aforesaid and the remaining member or members shall be appointed from amongst serving officers who have had experience in dealing with service matters, being officers of a rank not below that of a Director to the Government of India or of an equivalent rank under a State Government or an insurance corporation or the Board.

(4) Where the number of members of a Service Matters Tribunal is more than one, the Central Government shall appoint one of those members to be the President of that Tribunal, who shall preside over the meetings of that Tribunal, and in the absence of the President, the seniormost member of that Tribunal shall preside over its meetings.

(5) The Central Government shall, from time to time, define, by notification, the territorial limits within which a Service Matters Tribunal shall exercise its jurisdiction, and where two or more Service Matters Tribunals have jurisdiction over the same territorial limits, the Central Government shall also provide, by notification, the distribution or allocation of work to be done by each of them.

(6) Any vacancy in the membership of a Service Matters Tribunal shall be filled up by the Central Government as soon as practicable.

32. (1) In this section,—

(a) “service matter”, in relation to an employee of a Corporation or of the Board, means any matter arising out of the terms and conditions of his service;

(b) “grievance with respect to a service matter”, in relation to an employee of a Corporation or of the Board, means a grievance of such employee to the effect that he has not been dealt with in regard to that service matter in conformity with the terms and conditions of his service;

(c) “terms and conditions of service”, in relation to an employee of a Corporation or of the Board, means the terms and conditions of service, specified by any rule, regulation or order made under this Act, for the time being in force, and applicable to him.

Redressal
of the
grievance
with re-
spect to
service
matters.

(2) An employee of a Corporation or of the Board, aggrieved by—

(a) any decision or order of a Corporation or the Board rejecting his application or representation for the redressal of his grievance with respect to any service matter, or

(b) the omission or failure of a Corporation or the Board to give its decision in relation to any application or representation made by him for the redressal of his grievance with respect to any service matter,

may make an application to the Service Matters Tribunal, having jurisdiction, for the redressal of his grievance with respect to that service matter:

Provided that no application for the redressal of any grievance with respect to a service matter shall be entertained by the Service Matters Tribunal until the applicant has exhausted all the remedies available to him under the rules, regulations or orders relating to the terms and conditions of his service, for the time being in force, for the redressal of such grievance:

Provided further that the Service Matters Tribunal may, if it is satisfied that the applicant was prevented by sufficient cause from exhausting all the remedies available to him under such rules, regulations or orders, entertain the application for the redressal of such grievance even though the applicant had not exhausted all such remedies.

(3) An application, under sub-section (2), for the redressal of the grievance of an employee of a Corporation or of the Board with respect to a service matter shall be made,—

(a) in the case of a decision or order referred to in clause (a) of that sub-section, within a period of ninety days from the date on which the decision of the Corporation or the Board rejecting his application or representation, as the case may be, was communicated to the applicant,

(b) in the case of any omission or failure referred to in clause (b) of that sub-section, within a period of ninety days, computed from the date of expiry of the period of six months from the date on which the application or representation was submitted by him to the Corporation or the Board, as the case may be, for the redressal of his grievance:

Provided that the Service Matters Tribunal may admit any such application after the expiry of the said period of ninety days, if it is satisfied that the applicant was prevented by sufficient cause from making the application within the said period:

Provided further that where a person who had, before the appointed day, filed with the dissolved Corporation, any application for the redressal of a grievance with respect to a service matter, and the dissolved Corporation had not communicated to such person its decision on such application for a period of not less than six months from the date on which the application was filed by him, such person may, within ninety days from the appointed day, make an application under this sub-section to the Service Matters Tribunal having jurisdiction for the redressal of his grievance.

(4) An application under sub-section (2) shall be made in such form, be verified in such manner and shall be accompanied by such fee, not exceeding one hundred rupees, as may be prescribed on a graded scale depending on the nature of the grievance.

(5) Nothing contained in this section shall empower any person to make any application under sub-section (2)—

(a) if on the date on which the application is made, the institution or commencement of any suit or other legal proceeding relating to the service matter is barred by any law of limitation for the time being in force; or

(b) if any suit or other legal proceeding had been instituted or commenced in any court, whether before or after the appointed day, with respect to any service matter, unless such suit or other legal proceeding is withdrawn before the expiry of the period of limitation as aforesaid.

Benches
of Service
Matters
Tribunal.

33. The powers and functions of a Service Matters Tribunal may be exercised and discharged by Benches constituted by the President of that Tribunal from amongst the members of such Tribunal:

Provided that the President of the Service Matters Tribunal, or any other member of such Tribunal authorised in this behalf by the President of that Tribunal, may, sitting singly, dispose of any application which has been allotted to a Bench of which he is a member, if the subject-matter of such application does not relate to reduction in rank, suspension, removal or dismissal from service.

Orders of
Service
Matters
Tribunals.

34. (1) A Service Matters Tribunal may, after giving the parties to the application a reasonable opportunity of being heard, pass such orders thereon as it thinks fit, confirming, modifying or annulling the decision or order against which such application has been made or may remand the case to the Corporation or the Board which passed such decision or order with such direction as that Tribunal may think fit, for fresh adjudication or decision, as the case may be, after taking additional evidence, if necessary, or may by order grant such relief as may be just and proper in the circumstances of the case.

(2) A Service Matters Tribunal shall send a copy of every order passed by it under sub-section (1), to the parties to the application.

(3) Every order passed under this section by a Service Matters Tribunal shall be final and shall not be called in question in any court except by way of a petition under article 32, or article 136, or article 226, of the Constitution.

CHAPTER VII

PROVISIONS APPLICABLE TO ALL TRIBUNALS

5 of 1908.

35. (1) For the purposes of discharging its functions, every Tribunal constituted under this Act (whether it is a Claims Tribunal or the Appellate Claims Tribunal or a Service Matters Tribunal) shall have the same powers as are vested in a civil court under the Code of Civil Procedure, 1908, while trying a suit, in respect of the following matters, namely:—

Powers of
Tribunals
to enforce
attendance
of witnesses
and to
regulate
their
own proce-
dure.

(a) summoning and enforcing the attendance of any witness and examining him on oath;

(b) discovery and inspection of any document or other material object producible as evidence;

(c) compelling the production of books of accounts and other documents;

(d) reception of evidence on affidavits; and

(e) issuing of any commission for the examination of any witness.

(2) Subject to the provisions of this Act and the rules made thereunder, every Tribunal referred to in sub-section (1), shall have power to regulate its own procedure and the procedure of the Benches thereof in all matters arising out of the exercise of its powers or of the discharge of its functions, including the places at which it or its Benches shall hold its, or their, sittings.

45 of 1860.

2 of 1974.

36. Every proceeding before a Tribunal constituted under this Act (whether it is a Claims Tribunal or the Appellate Claims Tribunal or a Service Matters Tribunal), shall be deemed to be a judicial proceeding within the meaning of sections 193 and 228, and for the purposes of section 196, of the Indian Penal Code; and every such Tribunal shall be deemed to be a civil court for the purposes of section 195 and Chapter XXVI of the Code of Criminal Procedure, 1973.

Proceedings
before
Tribunals
to be judi-
cial pro-
ceedings
for certain
purposes.

Procedure where the members of a Tribunal differ in their opinion.

37. Where a claim or an appeal or an application relating to a grievance with respect to a service matter has been heard by a Claims Tribunal, or the Appellate Claims Tribunal, or a Service Matters Tribunal, as the case may be, or any Bench thereof, consisting of more than one member and the members differ in their opinion on any point, the decision on such point shall, where there is a majority, be according to the opinion of such majority, and where there is no majority and the members are equally divided in their opinion, they shall draw up a statement of the facts of the case and the point or points on which they differ in their opinion and make a reference of the claim or of the appeal or of the application relating to the service matter, as the case may be, to the President of such Tribunal, and on receipt of such reference, the President of the concerned Tribunal shall arrange for the hearing of such point or points by one or more of the other members of that Tribunal, and such point or points, or the appeal, shall be decided according to the opinion of the majority of the members of the concerned Tribunal who have heard the claim or appeal, or, as the case may be, relating to the grievance with respect to the service matter, including those who had first heard it.

Method of determination of equivalent rank.

38. In determining, for the purposes of sections 22, 27 and 31, whether an officer of a State Government or of an insurance corporation or of the Board holds any rank equivalent to that of a Joint Secretary or Director to the Government of India, regard shall be had to the scale of pay of the post held by that officer under the State Government or the insurance corporation or the Board, as the case may be.

Costs.

39. (1) Subject to such conditions and limitations as may be prescribed, the costs of and incidental to all claims, appeals or applications, filed under this Act shall be in the discretion of the Tribunal (whether it is a Claims Tribunal or the Appellate Claims Tribunal or a Service Matters Tribunal), in which such claim, appeal or application is filed and the Tribunal shall have full power to determine by whom and to what extent such costs are to be paid, and to give all necessary directions for the purposes aforesaid, and the fact that the Tribunal has no jurisdiction to deal with the claim or application or hear the appeal shall be no bar to the exercise of such powers.

(2) Where any such Tribunal directs that any costs shall not follow the event, the Tribunal shall state its reasons in writing.

CHAPTER VIII

FINANCE, ACCOUNTS AND AUDIT

Funds of Corporations.

40. Every Corporation shall have its own Fund and all its receipts shall be credited thereto and all payments of the Corporation shall be made therefrom.

Audit.

41. (1) The accounts of every Corporation and the accounts of the Board shall be audited by auditors duly qualified to act as auditors of companies under the law for the time being in force relating to companies, and the auditors shall be appointed by the Corporation whose accounts are to be so audited, or the Board, as the case may be, with the previous approval of the Central Government, and shall receive such remuneration from the concerned Corporation, or the Board, as the Central Government may fix.

(2) Every auditor in the performance of his duties shall have at all reasonable times access to the books, accounts and other documents of the concerned Corporation or, as the case may be, of the Board.

(3) The auditors shall submit their report to the Corporation or, as the case may be, to the Board, by which they were appointed, and shall also forward a copy of their report to the Central Government.

42. Every Corporation shall, once at least in every two years, cause an investigation to be made by actuaries into the financial condition of the life insurance business of the Corporation, including a valuation of the liabilities of the Corporation in respect thereto, and submit the report of the actuaries to the Central Government.

Actuarial
valuations.

43. (1) Every Corporation and the Board shall, as soon as may be, after the end of each financial year, prepare and submit to the Central Government in such form as may be prescribed a report giving an account of its activities during the previous financial year and shall also give an account of the activities, if any, which are likely to be undertaken by it in the next financial year.

Annual
report of
activities
of Corpora-
tions and
the Board.

(2) Every Corporation and the Board shall, in relation to its functions under this Act, furnish to the Central Government such reports returns, statistics, accounts and other information as the Central Government may from time to time, require.

44. If as a result of any investigation undertaken by a Corporation under section 42, any surplus emerges, ninety-five per cent. of such surplus or such higher percentage thereof as the Central Government may approve, shall be allocated to or reserved for the life insurance policyholders of the Corporation and, after meeting the liabilities of the Corporation, if any, the remainder shall be paid to the Central Government or, if that Government so directs, be utilised for such purposes and in such manner as that Government may determine.

Surplus
from life
insurance
business
how to be
utilised.

45. If, for any financial year, profits accrue from any business (other than life insurance business) carried on by a Corporation, then, after making provision for reserves and other matters for which provision is necessary or expedient, the balance of such profits shall be paid to the Central Government.

Profits from
any business
(other than
life
insurance
business)
how to be
utilised.

46. The Central Government shall cause the report of the auditors under section 41, the report of the actuaries under section 42 and the report under section 43 giving an account of the activities of every Corporation and of the Board to be laid before both Houses of Parliament as soon as may be after each such report is received by the Central Government.

Reports to
be laid
before
Parliament.

CHAPTER IX

MISCELLANEOUS

47. Except as otherwise expressly provided in this Act, on and from the appointed day, no person, other than a Corporation, shall carry on life insurance business in India.

Corpora-
tions to
have
exclusive
privilege
of carrying
on life
insurance
business.

Exceptions
in the case
of life
insurance
business in
respect of
persons
ordinarily
residing
outside
India.

48. (1) Notwithstanding anything contained in section 47 or in the Insurance Act, the Central Government may, by order, permit any person who has made an application in that behalf, to carry on life insurance business in India in respect of the lives of persons ordinarily resident outside India, subject to such restrictions and conditions as may be specified in the order and any such order shall be deemed to have effect as if it were a certificate of registration issued by the Controller to such person under section 3 of the Insurance Act in respect of that class of business.

(2) Nothing in sub-section (1) shall authorise any person who is permitted to carry on life insurance business of the nature referred to in that sub-section, to insure the life of any person ordinarily resident outside India, during any period of his temporary residence in India.

Powers of
Corpora-
tions to
have
official
seals in
certain
cases.

49. Every Corporation may have for use in any Divisional Office, Branch Office or other office or in any office outside India, an official seal which shall be a facsimile of the common seal of the Corporation, with the addition on its face of the name of the Divisional Office, Branch Office or other office or any office outside India, where it is to be used, and any such official seal may be affixed to any deed or document to which the Corporation is a party.

Policies of
life insurance
to be
guaranteed
by Central
Govern-
ment.
Liquida-
tion.

50. The sums Assured by all policies of life insurance issued by, or transferred to or vested in, a Corporation including any bonuses declared in respect thereof, whether before or after the appointed day, shall be guaranteed as to payment in cash by the Central Government.

51. No provision of law relating to the winding up of companies or corporations shall apply to a Corporation established under this Act, and such Corporation shall not be placed in liquidation save by order of the Central Government and in such manner as that Government may direct.

Penalty
for
carrying
on life
insurance
business
in con-
travention
of the
provisions
of this
Act.

52. If any person carries on life insurance business in India in contravention of the provisions of this Act, he shall be punishable with imprisonment for a term which may extend to three years, or with fine which may extend to ten thousand rupees, or with both, and where such contravention is a continuing one, with further fine which shall not be less than one thousand rupees, for every day, after the first, during which such contravention continues.

Penalty
for
withhold-
ing
property,
etc.

53. If any person wilfully withholds or fails to deliver to a Corporation as required by the provisions of the First Schedule, any property or any books, documents or other papers which may be in his possession or unlawfully retains possession of any property which has been transferred to and vested in any Corporation under this Act or wilfully applies any such property to purposes other than those expressed in or authorised by this Act, he shall, on the complaint of the Corporation, be punishable with imprisonment for a term which may extend to one year, or with fine, or with both.

Offences
by
companies.

54. (1) Where an offence under this Act has been committed by a company, every person who, at the time the offence was committed, was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed

to be guilty of the offence and shall be liable to be proceeded against and punished accordingly:

Provided that nothing contained in this sub-section shall render any such person liable to any punishment provided in this Act, if he proves that the offence was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such offence.

(2) Notwithstanding anything contained in sub-section (1), where any offence under this Act has been committed by a company and it is proved that the offence has been committed with the consent or connivance of, or is attributable to any neglect on the part of, any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed to be guilty of that offence and shall be liable to be proceeded against and punished accordingly.

Explanation.—For the purposes of this section,—

(a) “company” means any body corporate and includes a firm or other association of individuals; and

(b) “director”, in relation to a firm, means a partner in the firm.

55. No civil court shall have jurisdiction to entertain any suit or other legal proceeding or to adjudicate upon any matter which a Service Matters Tribunal is empowered by this Act to adjudicate upon.

Bar of jurisdiction of civil courts.

56. Any decision given or order passed or made (including any order for costs made under section 39), by a Claims Tribunal, or the Appellate Claims Tribunal, or a Service Matters Tribunal may be enforced in the same manner and to the same extent by any civil court within the local limits of whose jurisdiction,—

Enforcement of decisions and order of Tribunals.

(a) the Head Office of the Corporation against which such decision or order is to be enforced, is located, or, where such decision or order is to be enforced in relation to any claim arising within the area for which there is a Branch Office or other office of the concerned Corporation, such Branch Office or other office is located; or

(b) the office of the Board against which such decision or order is to be enforced, is located; or

(c) the place at which the person against whom such decision or order is to be enforced, actually and voluntarily resides or carries on business or personally works for gain, or owns any property,

as if it were a decree passed, or order made, by such court.

57. (1) Save as otherwise provided elsewhere in this Act, the following sections of the Insurance Act shall, so far as may be, apply to every Corporation as they apply to any other insurer, namely:—

Application of the Insurance Act.

Sections 2, 2B, 18, 26, 33, 38, 39, 41, 45, 46, 50, 52, 110A, 110B, 110C and 119.

(2) The Central Government shall, as soon as may be after the appointed day, by notification, direct that the following sections of the

Insurance Act shall apply to every Corporation subject to such conditions and modifications as may be specified in the notification, namely:—

Sections 2D, 10, 11, 13, 14, 15, 20, 21, 22, 23, 25, 27A, 28A, 40, 40A, 40B, 43, 44, 51, 102 to 106, 107 to 110, 111, 113, 114 and 116A.

(3) Section 42 of the Insurance Act shall have effect in relation to the issue to any individual of a licence to act as an insurance agent for the purpose of soliciting or procuring life insurance business for a Corporation subject to the condition that the powers exercisable by the Controller under sub-section (1) thereof may also be exercised on behalf of the Controller, by every Corporation.

(4) The Central Government may, by notification, direct that all or any of the provisions of the Insurance Act other than those specified in sub-section (1), or sub-section (2), shall apply to every Corporation subject to such conditions and modifications as may be specified in the notification.

(5) Save as otherwise provided in this Act, nothing contained in the Insurance Act shall apply to a Corporation.

Deduction
of
income-
tax not to
be made
on interest
or
dividend.

58. Notwithstanding anything contained in section 193 or section 194 of the Income-tax Act, 1961, no deduction of income-tax shall be made on any interest or dividend payable to a Corporation in respect of any securities or shares owned by it or in which it has full beneficial interest.

43 of 1961.

Act not to
apply in
certain
cases.

59. Nothing contained in this Act shall apply in relation to—

(a) the scheme, run by the Central Government, known as the Post Office Insurance Fund;

(b) any insurer to whom the Insurance Act does not apply by reason of the provisions contained in section 2E thereof;

(c) any approved superannuation fund as defined in clause (a) of section 58N of the Indian Income-tax Act, 1922, being a fund in existence on the date (hereinafter referred to as the specified date) on which the dissolved Corporation was established;

11 of 1922.

(d) any scheme in existence on the specified date or any scheme framed after the specified date with the approval of the Central Government, as the case may be, whereby, in consideration of certain compulsory deductions made by Government from the salaries of its employees as part of the conditions of service, the payment of money is assured by Government on the death of the employee concerned or on the happening of any contingency dependent on his life;

(e) any Family Pension Scheme framed under the Coal Mines Provident Fund, Family Pension and Bonus Schemes Act, 1948, or the Employees' Provident Funds and Miscellaneous Provisions Act, 1952, for the purpose of providing family pension and life assurance benefits to the employees covered by the said Scheme;

46 of 1948.

19 of 1952.

(f) any scheme of small savings run by the Central Government whereunder payment is assured by that Government on the death of the person subscribing to the scheme or on the happening of any contingency as the Central Government may, by notification, specify in this behalf.

60. No act or proceeding of a Corporation or of the Board or of any Committee of any Corporation or of the Board or of a Claims Tribunal, the Appellate Claims Tribunal, or a Service Matters Tribunal, shall be invalid or called in question merely by reason of the existence of any vacancy therein or any defect in the constitution thereof.

Defects in Constitution of a Corporation or of the Board or of any Tribunal not to invalidate acts or proceedings.
Protection of action taken in good faith.

61. (1) No suit, prosecution or other legal proceeding shall lie against any member, Executive Director, or employee of a Corporation or of the Board for anything which is in good faith done or intended to be done under this Act.

(2) No suit, prosecution or other legal proceeding shall lie against any director of any concern appointed by a Corporation under sub-section (2) of section 10 for anything which is in good faith done or intended to be done by him as such director.

45 of 1880,

62. Every employee of a Corporation or of the Board or of a Claims Tribunal or the Appellate Claims Tribunal or a Service Matters Tribunal shall be deemed to be a public servant for the purposes of Chapter IX of the Indian Penal Code.

Employees to be deemed to be public servants.

63. (1) No person who is, on or after the appointed day,—

(a) an employee of the Government; or

(b) a holder of the office of Chairman or Director or of any other office in, or an employee of, a statutory corporation or a Government company; or

(c) the spouse of an employee referred to in clause (a) or clause (b), or, as the case may be, of the holder of an office referred to in clause (b),

shall be eligible for the issue of, or shall accept, any licence to act as an insurance agent, and any such licence, if issued, shall be void.

(2) The licence issued, after the appointed day, to a person to act as an insurance agent shall become void upon such person becoming, after the issue of such licence,—

(i) an employee of the nature referred to in clause (a) or clause (b) of sub-section (1), or

(ii) the holder of an office of the nature referred to in clause

(b) of that sub-section:

Disqualification for appointment as insurance agent.

Provided that the licence to act as an insurance agent issued to a person who becomes, after such issue, the spouse of such employee or of the holder of such office shall become void on the expiry of three months from the date on which such person becomes the spouse of such employee or the holder of such office.

(3) Every insurance agent who immediately before the appointed day was, and continues to be on the expiry of three months from that day, an employee of the nature referred to in clause (a) or clause (b) of sub-section (1), or the holder of an office of the nature referred to in clause (b) of that sub-section, or the spouse of any such employee or of the holder of any such office shall, on the expiry of three months from the appointed day, cease to be an insurance agent.

Explanation.—For the purposes of this section,—

(i) "employee of a statutory corporation" includes any person employed for any of the purposes of the Act by or under which such corporation is established or constituted;

(ii) "Government company" means a Government company within the meaning of section 617 of the Companies Act, 1956;

1 of 1956.

(iii) "statutory corporation" means a corporation established or constituted by or under a Central, Provincial or State Act.

Employees
not to take
active part
in politics.

64. (1) No person who is—

(a) an employee of a Corporation or of the Board or of a Claims Tribunal or the Appellate Claims Tribunal or a Service Matters Tribunal; or

(b) a member of a Corporation or of the Board; or

(c) a member of a Claims Tribunal or the Appellate Claims Tribunal or a Service Matters Tribunal,

shall be a member of, or be otherwise associated with, any political party or any organisation which takes part in politics nor shall he take part in, subscribe in aid of, or assist in any manner, any political movement or activity.

(2) If any question arises whether a party is a political party or whether any organisation takes part in politics or whether any movement or activity falls within the scope of sub-section (1), the decision of the Central Government thereon shall be final.

(3) No such person as is referred to in sub-section (1) shall canvass or otherwise interfere with or use his influence in connection with, or take part in, an election to any Legislature or local authority:

Provided that—

(i) such person qualified to vote at such election may exercise his right to vote, but where he does so, he shall give no indication of the manner in which he proposes to vote or has voted;

(ii) such person shall not be deemed to have contravened the provisions of this section by reason only that he assists in the conduct of an election in the due performance of a duty imposed on him by or under any law for the time being in force.

(4) The provisions of sub-sections (1), (2) and (3) shall be deemed to form a part of the conditions of service of the persons specified in clause (a), clause (b) and clause (c) of sub-section (1) and any contravention by any such person of any provision of sub-section (1), or, as the case may be, sub-section (3), shall be deemed to be a breach of the terms and conditions of such service and shall be dealt with accordingly.

Explanation I.—The display by such person on his person, vehicle or residence, of any electoral symbol shall amount to using his influence in connection with an election within the meaning of this section.

Explanation II.—For the purposes of this section, "Legislature" means—

(i) either House of Parliament,

(ii) the Legislative Assembly of a State, or in the case of a State having a Legislative Council, either House of the Legislature of that State,

20 of 1963.

(iii) Legislative Assembly of a Union territory constituted under the Government of Union Territories Act, 1963,

19 of 1966.

(iv) the Metropolitan Council of Delhi constituted under section 3 of the Delhi Administration Act, 1966, or

(v) District Councils and Regional Councils in the States of Assam and Meghalaya and in the Union territory of Mizoram as provided in the Sixth Schedule to the Constitution,

as the case may be.

65. (1) The Central Government may, by notification, make rules to carry out the provisions of this Act.

Power to make rules

(2) In particular, and without prejudice to the generality of the foregoing powers, such rules may provide for all or any of the following matters, namely:—

(a) the qualifications which a person shall possess for being appointed as a member of a Corporation under sub-section (1) of section 6;

(b) the term of office of the Chairman and other members of a Corporation, as required by sub-section (1) of section 7, and the salaries and allowances which the Chairman of a Corporation shall be entitled to receive and the conditions of his service in respect of leave, pension, provident fund and other matters and the allowances which the other members of a Corporation shall be entitled to receive, as required by sub-section (4) of section 7;

(c) the matters specified under sub-section (1) of section 9 subject to which each Corporation shall carry on life insurance business and the conditions subject to which investment of its funds shall be made by a Corporation, as required by clause (b) of sub-section (2) of section 9;

(d) the fees and allowances to be paid to the members of a Committee constituted under sub-section (5) of section 13 for attending its meetings or for any other work;

(e) the appointment of Secretary and other officers and employees, by a Corporation to enable it to discharge its functions, as required by sub-section (3) of section 14 and the terms and conditions of service of the Executive Directors, Secretary and other officers and employees of a Corporation, as required by sub-section (4) of section 14;

35

(f) the term of office of a member of the Board, and the salaries and allowances which a whole-time member of the Board shall be entitled to receive and the conditions of his service, as required by sub-sections (1) and (5) of section 16;

(g) the fees and allowances to be paid to members of Committees (other than the members of a Corporation or of the Board) for attending meetings and for attending to other work, as required by sub-section (2) of section 17;

(h) the times and places at which the Board shall meet and the procedure in regard to the transaction of business at its meetings

which shall be observed by the Board, as required by sub-section (1) of section 18;

(i) the terms and conditions of service of Secretary and other officers and employees of the Board, as required by sub-section (2) of section 18;

(j) the manner in which the Board shall review the functioning of a Corporation and the service which the Board shall render to a Corporation, as required by sub-section (1) of section 20;

(k) the functions, other than those specified in sub-section (2) of section 20, which may be performed by the Board, as required by sub-section (2) of section 20;

(l) the matters subject to which payment of an amount determined by the Central Government shall be made by a Corporation to the Board, as required by sub-section (1) of section 21;

(m) the form in which an application under sub-section (1) of section 24 shall be made to the Claims Tribunal and the manner in which such application shall be verified and the fee which shall accompany such application, as required by sub-section (2) of section 24;

(n) the form in which an appeal shall be filed to the Appellate Claims Tribunal, the manner in which the memorandum of such appeal shall be verified and the fee which shall accompany such memorandum of appeal, as required by sub-section (2) of section 28;

(o) the form in which an application shall be made to the Service Matters Tribunal, the manner in which such application shall be verified and the fee which shall accompany such application, as required by sub-section (4) of section 32;

(p) the matters subject to which every Tribunal shall have power to regulate its own procedure and the procedure of the Benches thereof, including the places at which it or its Benches shall hold its, or their, sittings, as required by sub-section (2) of section 35;

(q) the conditions and limitations subject to which costs may be awarded by any Tribunal, as required by sub-section (1) of section 39;

(r) the form in which a report giving an account of its activities during the previous financial year shall be submitted by a Corporation and the Board, as required by sub-section (1) of section 43;

(s) the terms and conditions of work of the insurance agents of a Corporation including those who become insurance agents of a Corporation on the appointed day, as required by sub-section (3) of section 57 of this Act, read with section 42 of the Insurance Act;

(t) such other matters as are required to be, or may be, prescribed.

(3) The power to make rules conferred by sub-section (2) shall include power—

(i) to give retrospective effect to the terms and conditions of service of the employees or the terms and conditions of work of insurance agents under such rules;

(ii) to amend by way of addition, variation or repeal such terms and conditions of service or work with retrospective effect,

from a date not earlier than the appointed day.

66. (1) Every Corporation may, with the previous approval of the Central Government, by notification, make regulations, not inconsistent with the provisions of this Act and the rules made thereunder, to provide for all matters for which provision is expedient for the purpose of giving effect to the provisions of this Act.

Power to
make
regulations

(2) In particular, and without prejudice to the generality of the foregoing power, such regulations may provide for all or any of the following matters, namely:—

(a) the powers and functions of a Corporation which may be delegated to the officers in charge of its Divisional Offices and Branch Offices;

(b) the method of recruitment of employees and insurance agents of a Corporation;

(c) the manner in which the Fund of a Corporation shall be maintained;

(d) the maintenance of separate funds and accounts at each of the Divisional Offices and Branch Offices of a Corporation;

(e) the jurisdiction of each Divisional Office and Branch Office of a Corporation;

(f) the conduct of business at meetings of a Corporation;

(g) the formation of Committees of a Corporation and the delegation of powers and functions of the Corporation to such Committees, and the conduct of business at meetings of such Committees;

(h) the form and manner in which policies of life insurance may be issued and contracts binding on a Corporation may be executed;

(i) the classification of policies of life insurance, whether issued by a Corporation or transferred to a Corporation from the dissolved Corporation, for the purpose of declaring differential bonuses, wherever necessary;

(j) the manner in which and the intervals within which the accounts of various Divisional Offices and Branch Offices of a Corporation may be inspected and their accounts audited;

(k) the conditions subject to which any payment may be made by a Corporation.

(3) The power conferred by this Act to make rules in relation to the matters in respect of which regulations could be made under the Life Insurance Act shall be deemed, for the purposes of this Act, to carry with it the powers to amend, with retrospective effect from a day not earlier than the appointed day, the regulations, if any, made under the Life Insurance Act and in force immediately before the appointed day, and such regulations, as so amended, shall have effect accordingly.

Notifica-
tions, rules
and regula-
tions to be
laid before
Parlia-
ment.

67. Every notification made under sub-section (2), or sub-section (4), of section 57, every rule made under section 65, and every regulation made under section 66, shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the notification, rule or regulation or both Houses agree that the notification, rule or regulation should not be made, the notification, rule or regulation shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that notification, rule or regulation.

Act to over-
ride all other
enactments,
etc.

68. The provisions of this Act and the rules made thereunder shall have effect notwithstanding anything contained in the Industrial Disputes Act, 1947 or in any other enactment (other than this Act) for the time being in force, or any judgment, decree or order of any court, tribunal or other authority or any agreement, settlement, award or other instrument for the time being in force.

14 of 1947.

Power to
remove
difficulties.

69. (1) If any difficulty arises in giving effect to the provisions of this Act, the Central Government may, by order, not inconsistent with the provisions of this Act, remove the difficulty:

Provided that no such order shall be made after the expiry of a period of two years from the appointed day.

(2) Every order made under this section shall be laid, as soon as may be after it is made, before each House of Parliament.

Savings.

70. Notwithstanding the repeal of the Life Insurance Act, by sub-section (1) of section 3,—

(a) anything done or any action taken under the Act so repealed;

(b) any sums due to, or payable by, the dissolved Corporation, immediately before the appointed day;

(c) any contract or agreement entered into, or arrangement made, by the dissolved Corporation, and in force immediately before the appointed day;

(d) any rules made under the Life Insurance Act, and in force immediately before the appointed day;

(e) any regulations or any other provisions with respect to the terms and conditions of service of employees and the terms and conditions of work of insurance agents of the dissolved Corporation, as in force immediately before the appointed day;

(f) any other regulations, as in force immediately before the appointed day,

shall, in so far as they are relatable to a zonal office of the dissolved Corporation, and the officers, employees and agents in, or attached to such office, be deemed, without prejudice to the provisions of the First Schedule, to have been done or taken, or, as the case may be, due to, or payable by, or entered into, or made by, the corresponding Corporation, and every such rule, regulation, contract, agreement or arrangement shall, until it is duly altered under this Act, have effect notwithstanding any judgment, decree or order of any court or tribunal and notwithstand-

14 of 1947.

ing anything contained in the Industrial Disputes Act, 1947 or any other law or any agreement, settlement, award or other instrument for the time being in force.

Explanation.—For the purposes of this Act, unless the context otherwise requires, “corresponding Corporation”, in relation to a zonal office of the dissolved Corporation means the Corporation which has its Head Office at the place at which that zonal office was located immediately before the appointed day.

THE FIRST SCHEDULE

(See section 3)

TRANSFER OF THE CAPITAL, THE OFFICERS AND OTHER EMPLOYEES, AND THE ASSETS AND LIABILITIES, OF THE DISSOLVED CORPORATION AND OTHER MATTERS

Definitions.

1. In this Schedule, unless the context otherwise requires,—

(a) “corresponding Corporation” has the meaning assigned to it in the *Explanation* to section 70;

(b) “paragraph” means a paragraph of this Schedule;

(c) “sub-paragraph” means a sub-paragraph of a paragraph;

(d) “zonal office” means a zonal office established under sub-section (2) of section 18 of the Life Insurance Act and includes divisional offices, branches and other offices in each zone.

2. Out of the capital of rupees five crores provided by the Central Government to the dissolved Corporation, there shall stand transferred, on the appointed day, to each of the Corporations, a sum of rupees one crore.

Capital provided by Central Government to the dissolved Corporation to be transferred to the Corporations.

3. (1) Subject to the other provisions of this Schedule, every officer or other employee of the dissolved Corporation,—

Allocation of officers and other employees of the dissolved Corporation.

(a) who was employed immediately before the appointed day in a zonal office, shall become on and from that day, an officer or other employee, as the case may be, of the corresponding Corporation;

(b) who was employed immediately before the appointed day, in any office, other than a zonal office, shall become, on and from the appointed day, an officer or other employee, as the case may be, of such Corporation, as the Central Government may, by general or special order published in the Official Gazette, specify, and until any order is made with respect to any such officer or other employee, he shall be deemed to have become, on and from the appointed day, an officer or other employee of the Board.

(2) An order under clause (b) of sub-paragraph (1) may be made with retrospective effect from a date not earlier than the appointed day.

(3) In making an order under clause (b) of sub-paragraph (1) for the purpose of allocating any officer or employee to any one of the Corporations, regard shall be had to the need for the efficient discharge of its functions by such Corporation and the public interest and other relevant matters.

(4) Notwithstanding anything contained in the foregoing sub-paragraphs, it shall be open to any officer or other employee of the dissolved Corporation to opt in favour of not being an officer or other employee of the concerned Corporation by giving one month's notice of such option to such Corporation:

Provided that such notice shall be given,—

(a) before the expiry of three months from the appointed day, or

(b) where such officer or other employee is an officer or other employee referred to in clause (b) of sub-paragraph (1), within three months from the date on which an order, applicable to him, is made under that clause.

(5) The option exercised under sub-paragraph (4) by an officer or other employee shall take effect on the expiry of the period of notice of one month, but the taking effect of such option shall not prejudicially affect any disciplinary or other proceedings which may be pending against him on the date on which the notice was given, or which may be taken against such officer or other employee in respect of anything done or omitted to be done by him before his option had taken effect.

(6) An officer or other employee who exercises the option referred to in sub-paragraph (4), shall—

(a) be entitled to the payment of an amount equivalent to the salary and allowances which he would have drawn for a period of three months if he had continued in service for that period, from the date on which his option takes effect, but where he would have continued in service for a period of less than three months, such amount shall be equivalent to the salary and allowances which he would have drawn for the period for which he would have continued in service;

(b) be paid by way of gratuity, an amount calculated in accordance with the rules which would have applied in his case if the Life Insurance Act had not been repealed and he had retired from service on the date on which his option took effect, and for this purpose the requirement as to the minimum period of service which should have been rendered for becoming entitled to gratuity under those rules shall not apply and such gratuity shall be payable on the basis of the basic pay drawn by him immediately before the day on which his option took effect;

(c) be entitled to such other terminal benefits, other than gratuity, as would have been payable to him if the Life Insurance Act had not been repealed and he had retired from service on the date on which his option took effect;

Provided that in the case of any officer or other employee against whom any disciplinary proceeding is pending immediately before the appointed day, or against whom a disciplinary proceeding may be taken thereafter, the payment of salary, allowances, gratuity or other terminal benefits under this paragraph shall be subject to the result of the said proceedings.

4. (1) On the appointed day, the rights and liabilities of the dissolved Corporation in respect of the policies of life insurance issued by it, and in force immediately before the appointed day, which were being serviced by a zonal office shall, subject to the other provisions of this Schedule, stand transferred to, and shall vest in, the corresponding Corporation.

Transfer
of assets
and liabilities
of the
dissolved
Corporation.

(2) Save as otherwise provided in sub-paragraph (1), the assets and liabilities of the dissolved Corporation, as on the day immediately before the appointed day, shall be allocated amongst the corresponding Corporations in such manner and to such extent as the Central Government, having regard to the recommendation made by the Committee constituted under sub-paragraph (3), may, by order published in the Official Gazette, determine and such order may provide for the retransfer to a corresponding Corporation of any assets and liabilities which had been previously allocated to any other corresponding Corporation under any provisional order made under sub-paragraph (5).

(3) The Central Government shall constitute a Committee consisting of not less than three and not more than five persons who, in its opinion, have special expertise in the matter of evaluation and allocation of assets and liabilities of bodies corporate, for the purpose of evaluating and recommending the allocation of the assets and liabilities of the dissolved Corporation amongst the corresponding Corporations in accordance with the provisions of sub-paragraph (4).

(4) The Committee shall—

(a) determine the value of the assets of the dissolved Corporation; and in determining such value, the Committee shall have due regard to the net yield from loans and investments,

(b) determine, in accordance with the actuarial principles, the liabilities in respect of the life insurance policies, which, by virtue of this Act, stand transferred to, and vested in, each corresponding Corporation,

and on such determination, make a recommendation to the Central Government for the allocation, in an equitable manner, of such assets amongst the corresponding Corporations, having regard to the liabilities which, by virtue of this Act, stand transferred to, and vested in, each corresponding Corporation:

Provided that the allocation of the assets and liabilities of the dissolved Corporation amongst the corresponding Corporations shall be so made as to ensure that immovable properties are allocated, as far as practicable, on "as is where is" basis and such allocation shall be so made as to ensure that the deficiency, if any, in the value of any immovable property allocated to a corresponding Corporation is made good by the allocation to it of other assets of the dissolved Corporation.

(5) The Central Government may, if it considers necessary or expedient so to do for the efficient transaction of business of the corresponding Corporations, pending the making of an order under sub-paragraph (2), by a provisional order published in the Official Gazette, allocate amongst the corresponding Corporations the assets and liabilities of the dissolved Corporation referred to in sub-paragraph (2), and such provisional order shall cease to have effect on and from the date of publication in the Official Gazette of the order made under sub-paragraph (2), except as respects things done or omitted to be done under such provisional order.

(6) Any person aggrieved by the order made by the Central Government under sub-paragraph (2) may, within thirty days from the date on which the order is published in the Official Gazette, make a representation to the Central Government for the review of the order on any of the grounds specified in sub-rule (1) of rule 1 of Order XLVII of the First Schedule to the Code of Civil Procedure, 1908, and on receipt of such representation the Central Government shall, after giving the person making the representation an opportunity of being heard, dispose of the representation as expeditiously as possible, and where, on such review, the Central Government is of opinion that it is necessary so to do, it may modify the order made by it under sub-paragraph (2) and publish the order as so modified in the Official Gazette.

5 of 1908.

(7) All transactions and other acts which immediately before the appointed day could have been entered into or done by a zonal office in relation to any assets, liabilities, business or any other matter of, or pertaining to, the dissolved Corporation, may, on and from that day, be entered into or done in respect of such assets, liabilities, business or other matter by the corresponding Corporation as if such assets, liabilities, business or other matter were, by virtue of this sub-paragraph, the assets, liabilities, business or other matter of, or pertaining to, the corresponding Corporation.

(8) All agreements, arrangements, contracts and covenants entered into and in force immediately before the appointed day, by any office of the dissolved Corporation, other than a zonal office, and all transactions entered into, and in force, immediately before the appointed day pertaining to any office, other than the zonal office, and all assets, liabilities, business or any other matter of, or pertaining to, any office of the dissolved Corporation, other than a zonal office, shall be deemed, on and from the appointed day, to have been entered into or made by such corresponding Corporation and shall become, on and from that day, the assets, liabilities, business or any other matter, as the case may be, of such a corresponding Corporation, as the Central Government may, by order, direct.

(9) No suit, appeal, application, execution or other legal proceeding by, or against, the dissolved Corporation which is pending immediately before the appointed day shall abate or be discontinued or be in any way prejudicially affected by reason of the transfer of the rights, assets and liabilities of the dissolved Corporation to the corresponding Corporation or of anything contained in this Act and every such suit, appeal, application, execution or other legal proceeding may be continued, prosecuted or enforced by or against the corresponding Corporation to which such rights, assets and liabilities have been transferred and vested in under this Act.

Explanation.—For the purposes of this sub-paragraph, “legal proceeding” includes any proceeding before an Arbitrator or before any tribunal constituted under the Life Insurance Act or any other law for the time being in force.

(10) The business of the dissolved Corporation outside India, immediately before the appointed day, and the assets, rights, liabilities and obligations of the dissolved Corporation in relation to such business and the officers, other employees and insurance agents, if any, employed by the dissolved Corporation in connection with such business, immediately before the appointed day, and all other matters relating to the said business shall, in relation to the Branch specified in column 1 of the Table below become the assets, rights, liabilities and obligations or business, or, as the case may be, officers, other employees and insurance agents of the Corporation specified against its name in the corresponding entry in column 2 of the said Table:

TABLE

1	2
1. London Branch	The Northern Life Insurance Corporation of India.
2. Mauritius Branch	The Western Life Insurance Corporation of India.
3. Fiji Branch	The Central Life Insurance Corporation of India.

(11) If, according to the laws of any country outside India, the provisions of this Schedule and of any scheme made thereunder are not effective to transfer to, and vest in, a Corporation specified in column 2 of the Table under sub-paragraph (10), any asset situated in that country or liability incurred therein which formed immediately before the appointed day, a part of the business of the dissolved Corporation, the affairs of the dissolved Corporation in relation to such asset or liability shall, on and from the appointed day, stand entrusted to such officer of such Corporation (being a Corporation mentioned in the said Table), as the Central Government may, by notification, appoint in this behalf, and the officer so appointed may exercise all powers and do all acts and things as may be required by the laws of such country for the purpose of effectively transferring or vesting such assets or liabilities in the Corporation of which he is an officer and may either himself or through any person authorised by him in this behalf realise such asset and discharge such liability for and on behalf of such Corporation.

5. (1) The rights and liabilities of the dissolved Corporation in respect of a policy of life insurance which stand transferred to, and vested in, under sub-paragraph (1) of paragraph 4 to a corresponding Corporation, shall be the rights and liabilities, respectively, of such corresponding Corporation and such corresponding Corporation shall exercise such rights, or, as the case may be, shall be liable in respect of such policy of life insurance to the same extent and in the same manner as the dissolved Corporation was entitled to exercise such rights, or, as the case may be, liable, and shall do all such acts and things in respect of such policy of life insurance as the dissolved Corporation would have been required to do in respect thereof if this Act had not been passed.

(2) Notwithstanding anything contained in sub-paragraph (1) of this paragraph, or in sub-paragraph (1) of paragraph 4, the corresponding Corporation to which the liability in respect of a policy of life

Effect of the Transfer to the corresponding Corporation of policies of life insurance issued by the dissolved Corporation.

insurance stands transferred to, and vested in, under this Act, shall, if the holder of such policy of life insurance makes, within six months from the appointed day, an application to such Corporation for the transfer of the liability in respect of such policy of life insurance to any other Corporation established under this Act, transfer such liability to such other Corporation and such other Corporation shall be bound to accept such transfer:

Provided that the benefits admissible to an insurance agent in relation to the policy of life insurance so transferred, shall continue to be admissible to him and the corresponding Corporation to which the policy of life insurance is so transferred shall be liable to make such benefits available to that insurance agent.

(3) The option exercised by a policy-holder by making an application under sub-paragraph (2), shall be final.

Transfer of
insurance
agents of the
dissolved
Corporation.

6. (1) Subject to the other provisions of this paragraph, every person who immediately before the appointed day is an insurance agent of the dissolved Corporation shall, on and from the appointed day, become an insurance agent of the corresponding Corporation in relation to the zonal office in the branch whereof the records of his work as an insurance agent are maintained immediately before the said day, and shall continue to function as such insurance agent on the same terms and conditions as would have been applicable to him if this Act had not been passed and shall continue to do so unless and until his appointment as such insurance agent of such corresponding Corporation is terminated or until such terms and conditions of his work as an insurance agent are duly altered under this Act.

(2) The period of work rendered by an insurance agent in the dissolved Corporation shall be counted towards the period of his work in the corresponding Corporation of which he becomes an insurance agent under sub-paragraph (1) in the same manner as it would have been counted in the dissolved Corporation if this Act had not been passed.

(3) An insurance agent of the dissolved Corporation shall not be entitled to claim any compensation by reason of his becoming, by virtue of the provisions of sub-paragraph (1), an insurance agent of the corresponding Corporation or by reason of any alteration of his terms and conditions of work as provided in that sub-paragraph and no such claim shall be entertained by any court, tribunal or other authority.

THE SECOND SCHEDULE

(See section 9)

THE ZONES AND DIVISIONS WITHIN THE ZONES IN WHICH INTENSIVE
DEVELOPMENT OF LIFE INSURANCE BUSINESS IS TO BE MADE
BY THE CORPORATIONS

Name of the Corporation	Zone	Divisions within the Zone
I	II	III
1. The Central Life Insurance Corporation of India	Kanpur	Kanpur Lucknow Agra Meerut Indore Jabalpur Varanasi Raipur.

Name of the Corporation	Zone	Divisions within the Zone
I	II	III
2. The Eastern Life Insurance Corporation of India.	Calcutta	Calcutta Asansol Cuttack Gauhati Jalpaiguri Jamahecpur Muzaffarpur Patna Silchar.
3. The Northern Life Insurance Corporation of India.	Delhi	Delhi Ajmer Chandigarh Jullundur Jaipur.
4. The Southern Life Insurance Corporation of India.	Madras	Madras Bangalore Coimbatore Hyderabad Madurai Masulipatnam Trivandrum Udupi Thanjavur Dharwad Kozhikode Vishakhapatnam Cuddapah.
5. The Western Life Insurance Corporation of India.	Bombay	Bombay Ahmedabad Nagpur Nasik Pune Rajkot Satara Surat.

SUBHASH C. KASHYAP,
Secretary-General.

